Placement Document
Not for Circulation
Serial Number ●

JAI BALAJI INDUSTRIES LIMITED

(Incorporated in the Republic of India as a public company with limited liability under the Indian Companies Act, 1956 with registration number L27102WB1999PLC089755)

Jai Balaji Industries Limited ("**Company**" or "**Jai Balaji Industries**") is issuing 8,295,586 equity shares of Rs.10 each ("**Equity Shares**") at a price of Rs. 239.30 per Equity Share, including a premium of Rs. 229.30 per Equity Share, amounting in aggregate to Rs. 1,985.13 million ("**Issue**").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SEBI ICDR REGULATIONS

THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED ("SEBI ICDR REGULATIONS"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN QUALIFIED INSTITUTIONAL BUYERS ("QIBS") AS DEFINED IN THE SEBI ICDR REGULATIONS.

Invitations to subscribe for or purchase, offers and sales of Equity Shares shall only be made pursuant to this Placement Document, the Confirmation of Allocation Note and the Application Form. See "Issue Procedure". The distribution of this Placement Document or the disclosure of its contents without our prior consent, to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions, and to make no copies of this Placement Document or any documents referred to in this Placement Document.

This Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India ("**RBI**"), the Bombay Stock Exchange Limited ("**BSE**"), the National Stock Exchange of India Limited ("**NSE**"), the Calcutta Stock Exchange Association Limited ("**CSE**") or any other regulatory or listing authority and is intended only for the use of QIBs.

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India.

Investments in Equity Shares involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Placement Document.

The information on our website or any website directly or indirectly linked to such websites does not form part of this Placement Document and prospective investors should not rely on such information.

The shares of the Company are listed on the BSE, the NSE and the CSE ("**Stock Exchanges**"). On October 23, 2009, the closing price as reported on the BSE and the NSE was Rs. 276.05 and Rs. 271.95, respectively. Applications have been made for the listing of the Equity Shares in this Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONSOR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the Placement Document will also be delivered to the SEBI for record purposes.

This Placement Document has been prepared by us solely for providing information in connection with the proposed issue of the Equity Shares described in this Placement Document.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**Securities Act**"), and they may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S ("**Regulation S**") under the Securities Act. For further information, see "Distribution and Solicitation Restrictions".

This Placement Document is dated October 26, 2009.

JOINT GLOBAL COORDINATORS AND BOOK RUNNERS		CO-BOOK RUNNING LEAD MANAGER
MACQUARIE CAPITAL ADVISERS (INDIA) PRIVATE LIMITED	**MOTILAL OSWAL INVESTMENT ADVISORS (P) LIMITED**	**CENTRUM CAPITAL LIMITED**
Level 4, Earnest House NCPA Marg Nariman Point Mumbai 400 021, India	113/114, 11th Floor, Bajaj Bhavan Nariman Point Mumbai 400 021, India	Centrum House, CST Road, Kalina Santacruz (E) Mumbai 400 098, India
Tel: (91 22) 4230 1200 Fax: (91 22) 4002 8707	Tel: (91 22) 3980 4380 Fax: (91 22) 3980 4315	Tel: (91 22) 4215 9756 Fax: (91 22) 4215 9707

TABLE OF CONTENTS

NOTICE TO INVESTORS

We accept full responsibility for the information contained in this Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries, confirm that this Placement Document contains all information with respect to the Company and the Equity Shares, which is material in the context of this Issue. The statements contained in this Placement Document relating to the Company and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to the Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. There are no other facts in relation to the Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. Notwithstanding any investigation that the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager may have conducted with respect to the information contained herein, the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager do not accept any liability in relation to the information contained in this Placement Document or its distribution or with regard to any other information supplied by or on behalf of the Company, and assume no responsibility or liability for the accuracy or completeness of any such information or any other information provided by the Company in connection with the issue of Equity Shares or their distribution. Each person receiving this Placement Document acknowledges that such person has not relied on the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager, nor on any person affiliated with them, in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Company and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document.

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Company, the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager, which would permit such issue of Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any issue material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction. See "Placement".

In making an investment decision, investors must rely on their own examination of the Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, business, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither the Company nor any of the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is a QIB and is eligible to invest in India and in the Equity Shares under Indian law, including Chapter VIII of the SEBI ICDR Regulations and that it is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from the Company and review information relating to the Company and the Equity Shares.

The information on the Company's website, www.jaibalajigroup.com, or on the websites of the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager, does not constitute nor form part of this Placement Document.

This Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the Issue period for physical inspection at the registered office of the Company located at 5, Bentinck Street, Kolkata 700 001, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

REPRESENTATIONS BY INVESTORS

By purchasing any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed to us, the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager as follows:

- you are a QIB and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you in accordance with the SEBI ICDR Regulations;
- you are aware that this Placement Document has not been verified or affirmed by SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies in India. The Placement Document will be filed with the Stock Exchanges and has been displayed on the websites of the Company and the Stock Exchanges. You are aware that the Equity Shares have not been, and will not be, registered under the SEBI regulations or under any other law in force in India;
- you are entitled to subscribe for and/or purchase the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other guarantees and other consents in either case which may be required thereunder and complied with all necessary formalities;
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to participation in this Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Placement Document) and will honour such obligations;
- you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by the Company or its agents ("**Company Presentations**") with regard to the Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that each of the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager may not have knowledge of the statements that the Company or its agents may have made at such Company Presentations and therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that each of the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager has advised you not to rely in any way on any information that was provided to you at such Company Presentation, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;
- neither the Company nor any of the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with this Issue and that participation in this Issue is on the basis that you are not and will not be a client of the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager and that such Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager have duties or responsibilities to you for providing the protections afforded to their clients or customers or for providing advice in relation to this Issue and are in no way acting in a fiduciary capacity;
- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;
- you have made, or been deemed to have made, as applicable, the representations set forth in the section "Transfer Restrictions";
- you shall be provided a serially numbered copy of the Preliminary Placement Document along with the Bid cum Application Form and have read the Preliminary Placement Document in its entirety;

- that in making your investment decision, (i) you have relied on your own examination of the Company and the terms of this Issue, including the merits and risks involved, (ii) you have made your own assessment of the Company, the terms of this Issue based on such information as is publicly available, (iii) you have consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares;

- none of the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager has provided you with tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Joint Global Coordinators when evaluating tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against any of the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to any of the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager, the Company and/or the officers of the Company for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing by each such managed account to acquire the Equity Shares for each managed account;

- you are not a Promoter (as defined herein (see "Our Business History")) or a person related to the Promoters of the Company, either directly or indirectly and your Bid does not, directly or indirectly, represent any Promoter or Promoter Group of the Company;

- you have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of the Company other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;

- you will have no right to withdraw your Bid after the Bid Closing Date;

- the Equity Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the existing Equity Shares of the Issuer including the right to receive all dividends and other distributions declared, made or paid in respect of such Equity Shares after the date of issue of the Equity Shares;

- if allotted Equity Shares pursuant to this Issue, you shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the Stock Exchanges;

- you are eligible to Bid and hold Equity Shares so allotted and together with any equity shares held by you prior to this Issue. You further confirm that your holding upon the issue of any of the Equity Shares shall not exceed the level permissible as per any applicable regulations;

- the Bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended ("**Takeover Code**");

- to the best of your knowledge and belief together with other QIBs in this Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50% of the size of this Issue. For the purposes of this statement:

    (a) the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956,

(b) "Control" shall have the same meaning as is assigned to it under Clause (c) of sub-regulation (1) of Regulation 2 of the Takeover Code;

- you shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- you are aware that applications have been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges' market for listed securities and that the application for the final listing and trading approval will be made only after the Allotment of the Equity Shares in the Issue, and there can be no assurance that such final approval will be obtained on time or at all;

- you are aware and understand that the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager will enter into an agreement with the Company whereby the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager have, subject to the satisfaction of certain conditions set out therein, undertaken severally, and not jointly or jointly and severally, to use their reasonable endeavours as agent of the Company to seek to procure purchasers for the Equity Shares;

- that the content of this Placement Document is exclusively the responsibility of the Company and that neither the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager nor any person acting on its behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager or the Company or any other person and that neither the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager nor the Company nor any other person will be liable for your decision to participate in this Issue based on any other information, representation, warranty or statement which you may have obtained or received;

- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager or the Company and neither the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager nor the Company will be liable for your decision to accept an invitation to participate in this Issue based on any other information, representation, warranty or statement;

- all statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this Placement Document. The Company assumes no responsibility to update any of the forward-looking statements contained in this Placement Document;

- that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by SEBI from buying, selling or dealing in securities;

- you understand that neither the Joint Global Coordinators and Book Runners nor the Co-Book Running Lead Manager have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by the Company of any of its respective obligations or any breach of any representations or warranties by the Company, whether to you or otherwise;

- that you are a reputed investor who is seeking to subscribe to the Equity Shares in this Issue for your own investment and not with a view to distribute. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investment matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

- you agree to indemnify and hold the Company, the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of your representations and warranties as contained herein. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares including by or on behalf of the managed accounts;

- that each of the representations, acknowledgments and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment of the Equity Shares;

- you understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act;

- you are, at the time the Equity Shares are purchased pursuant to Regulation S, located outside the United States (within the meaning of Regulation S) and you are not an affiliate of the Company or a person acting on behalf of such an affiliate;

- you are purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S; and

- that the Company, the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of your foregoing representations, warranties, acknowledgements and undertakings, each of which is given to (a) the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager on your own behalf and on behalf of the Company, and (b) to the Company, and each of which is irrevocable.

OFFSHORE DERIVATIVE INSTRUMENTS (P-NOTES)

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, ("**FII Regulations**") an FII may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as "**P-Notes**") listed or proposed to be listed on any stock exchange in India subject, amongst other things, to the satisfaction of the following conditions:

(i) the P-Notes are issued only in favour of those entities which are regulated by an appropriate foreign regulatory authority; and

(ii) the P-Notes are issued after compliance with applicable "know your client" requirements.

In terms of the FII Regulations, on and from May 22, 2008, no sub account of an FII is permitted, directly or indirectly, to issue P-Notes. An FII shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than a regulated entity.

P-Notes have not been and are not being offered or sold pursuant to this Placement Document. Neither the Preliminary Placement Document nor this Placement Document contains any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Company and do not constitute any obligation of, claims on or interests in the Company. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company. The Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of any of the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager and do not constitute any obligations or claims on the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager. FII affiliates of the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required by the SEBI ICDR Regulations, a copy of the Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document;

2. warrant that the Company’s Equity Shares will be listed or will continue to be listed on the Stock Exchange; or

3. take any responsibility for the financial or other soundness of the Company, its management or any business of the Company;

and it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Placement Document, unless the context otherwise indicates or implies, references to "you," "offeree," "purchaser," "subscriber" "recipient," "investors" and "potential investor" is to the prospective investors in this Issue, references to "Jai Balaji Industries Limited" "Jai Balaji Industries", or the "Issuer" are to Jai Balaji Industries Limited, references to "we," "our," "us," are to Jai Balaji Industries Limited and its subsidiaries on a consolidated basis. References to "Company" are to Jai Balaji Industries Limited.

In this Placement Document, references to "US$" and "U.S. dollars" are to the legal currency of the United States and references to "Rs." and "Rupees" are to the legal currency of India. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions and all references to "India" are to the Republic of India and its territories and possessions.

Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31 and to a particular "fiscal" or "fiscal year" are to the fiscal year ended on March 31. We publish our financial statements in Rupees. This Placement Document contains translations of certain Rupees amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Rupee amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Rupee to U.S. dollars have been made on the basis of reference rate quoted by the Reserve Bank of India on August 31, 2009 the last working day of the month, which was Rs. 48.88 = US$1.00.

Certain financial information as appearing in this document are derived from our audited financial statements. Our profit and loss data and balance sheet data as of and for the three month period ended June 30, 2009 have been prepared in accordance with Indian GAAP and are derived from our unaudited unconsolidated financial statements as of and for such period and date, which have been reviewed by SR Batliboi & Co.

We are an Indian listed company and prepare our financial statements in accordance with Indian GAAP and in compliance with the Companies Act, 1956, as amended ("**Companies Act**"). Certain of the financial information presented in this Placement Document, such as, information on net sales or cost of net revenues, are not comparable with the financial information we prepare and present for declaration of our unaudited quarter results to the stock exchange which is provided in a prescribed format by the stock exchange as applicable to a listed company in India. There are other changes in the presentation of financial information included in this Placement Document if compared to the presentation and disclosures we have reported as a listed company in India.

This reformatting generally involves changes in the description and classification of certain amounts from those shown in our Indian GAAP financial statements prepared and presented to our shareholders and reported by us as a listed company. Neither the information set forth in our financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or any accounting principles other than principles specified in the Indian Accounting Standards.

All financial and other data pertaining to the years ended March 31, 2008 and 2009 regarding our business and operations presented herein has been prepared on a consolidated basis. All financial and other data pertaining to March 31, 2007 relates to standalone business operations as we did not have any subsidiaries in the year ending March 31, 2007. We have also included the unaudited non-consolidated financial statements as at and for the three months ended June 30, 2009. We prepare our financial statements in accordance with Indian GAAP. Indian GAAP differs significantly in certain respects from IFRS. We do not provide a reconciliation of our financial statement to IFRS.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our businesses contained in this Placement Document consists of estimates based on data reports compiled by professional organisations and analysts, data from other external sources which we believe to be reliable, and our knowledge of the markets in which we compete. The statistical information included in this Placement Document relating to various industries in which we operate has been reproduced from various trade, industry and government publications and websites. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager have independently verified this data and neither we nor the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager can assure potential investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements." Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import.

All statements regarding our expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Placement Document that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results to differ materially from our expectations include, among others:

- general political economic and business conditions in India and other countries;
- our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- our ability to successfully develop and operate our coal, iron ore and manganese ore mines;
- costs and availability of equipment, materials and fuel;
- cost overruns, delays and disruptions in completion and commissioning of expansion projects;
- performance of industrial sectors in India:
- potential mergers, acquisitions or restructurings;
- performance of the Indian debt and equity markets;
- occurrence of natural calamities or natural disasters affecting the areas in which we have operations;
- changes in laws and regulations that apply to companies in India;
- changes to laws, regulations and policies applicable to companies in industries in which we are involved;
- changes in the foreign exchange control regulations in India; and
- other factors discussed in this Placement Document, including under "Risk Factors".

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results and property valuations to differ materially from those contemplated by the relevant statement. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations", "The Indian Steel Industry" and "Our Business".

The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialise, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are a limited liability company incorporated under the laws of India. All of our Directors and executive officers named herein are residents of India and a substantial portion of assets of such persons are located in India. As a result, it may be difficult for investors to effect service of process upon us or such persons outside India or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil procedure, 1908 ("**Code**") on a statutory basis. Section 13 and Section 44A of the Code provide that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, and (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court within the meaning of that section in any country or territory outside India which the Government has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty.

The United Kingdom has been declared by the Government to be a reciprocating territory but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy. Further, any judgment or award in a foreign currency would be converted into Rupee on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered and any such amount may be subject to income tax in accordance with applicable laws.

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires, the definitions of certain capitalised terms used in this Placement Document shall have the following meaning.

Term	Description
"Company" or "the Company" or "the Issuer"	Jai Balaji Industries Limited
"We," "Our" and "Us,"	Jai Balaji Industries Limited and its subsidiary, Nilachal Iron and Power Limited
AGM	Annual General Meeting
Allocated, Allocation	The determination of QIBs and number of Equity Shares to be allocated to each QIB after receipt and consideration of the Bid cum Application Forms, done in consultation with the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager and in compliance with Chapter VIII of the SEBI ICDR Regulations
Allotment	Unless the context otherwise requires, the allotment of Equity Shares to the successful Investors pursuant to the Issue in compliance with Chapter VIII of the SEBI ICDR Regulations
Articles/Articles of Association	Articles of Association of the Company
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
Auditors	The Statutory Auditors of the Company, S.R. Batliboi & Co.
Bid	An indication of QIBs' interest, including all revisions and modifications thereto, as provided in the Bid cum Application Form, to subscribe for Equity Shares in this Issue
Bid Closing Date	October 23, 2009
Bid Opening Date	October 21, 2009
Bid cum Application Form	The form to be sent to not more than 49 QIBs identified by the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager for making applications for allocation and issue of Equity Shares after discovery of the Issue Price.
Board of Directors/Board	The Board of Directors of the Company or a committee constituted thereof
BSE	Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CAN/Confirmation of Allocation Note	Note or advice or intimation to not more than 49 QIBs confirming the allocation of Equity Shares to such QIBs after discovery of the Issue Price
CDSL	Central Depository Services (India) Limited
Co-Book Running Lead Manager	Centrum Capital Limited
Code	Code of Civil Procedure, 1908 of India
Companies Act	The (Indian) Companies Act, 1956 as amended from time to time
CSE	The Calcutta Stock Exchange Association Limited
Cut-off Price	The Issue Price which shall be finalised by the Company in consultation with the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager
CVC CCDs	Fully convertible debentures of the Company issued under the terms of the CVC Investment Agreement, having a face value of Rs. 326.90 each. Each CCD was convertible into one Equity Share in accordance with the terms of the CVC Investment Agreement
CVC International	CVCIGP II Client Rosehill Limited, CVCIGP II Employee Rosehill Limited, Gautam Nayak and Keshav Bhujle (as trustees of CVCIGP II Ajay Relan Trust, CVCIGP II Vinayak Shenvi Trust, CVCIGP II PR Srinivasan Trust, CVCIGP II Ajay Tandon Trust, CVCIGP II Vivek Chhachhi Trust and CVCIGP II Jayanta Kumar Basu Trust)
CVC Investment Agreement	Investment Agreement dated February 06, 2008 between our Company and the CVC International
Depository Participant	A depository participant as defined under the Depositories Act
Director(s)	Director(s) of the Company, unless otherwise specified
DP	Depository Participant
ECBs	External commercial borrowings
EGM	Extra-Ordinary General Meeting
EPS	Earnings Per Share
Equity Shares	Equity shares of the Company of face value of Rs.10 each
ESOP	Employee Stock Option Plan
FDI	Foreign Direct Investment
Exchange Act	The U.S. Securities Exchange Act of 1934, as amended
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FERA	Foreign Exchange (Regulation) Act 1973 of India
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Fiscal year	The Company's fiscal year ended 31 March of such year
Floor Price	Rs. 239.21 which has been calculated in accordance with Regulation 85 of the SEBI ICDR Regulations
Foreign Institutional Investor Regulations	SEBI (Foreign Institutional Investors) Regulations, 1995
FSMA	The Financial Services and Markets Act 2000

Term	Description
GDP	Gross Domestic Product
Government (GOI)	Government of India
HUF	Hindu Undivided Family
Hudson CCDs	Fully convertible debentures of the Company issued under the terms of the Hudson Investment Agreement, having a face value of Rs. 326.90 each. Each CCD was convertible into one Equity Share in accordance with the terms of the Hudson Investment Agreement
Hudson Investment Agreement	Investment Agreement dated February 07, 2008 between our Company and Hudson Equity Holdings Limited
IFRS	International Financial Reporting Standards
India	The Republic of India
Indian GAAP	Generally Accepted Accounting Principles in India
"Indian Rupees", "Rupees" or "Rs."	Currency of India
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992
IPO	Initial public offering
Issue	The offer and sale of Equity Shares to Qualified Institutional Buyers, pursuant to Chapter VIII of the SEBI ICDR Regulations. The Equity Shares are being offered and sold outside the United States in reliance on Regulation S
Issue Price	A price per Equity Share of Rs. 239.30
Issue Size	The Issue of 8,295,586 Equity Shares aggregating to Rs. 1,985.13 million
I T Act	The Income Tax Act, 1961, as amended from time to time
Joint Global Coordinators and Book Runners	Macquarie Capital Advisers (India) Private Limited and Motilal Oswal Investment Advisors (P) Limited
KMP	Key Managerial Personnel.
LIBOR	London Inter-bank Offered Rate
MT	Metric Tonnes
MTPA	Metric Tonnes Per Annum
Memorandum/ Memorandum of Association	The Memorandum of Association of the Company
NCDs	Non-convertible debentures
NGO	Non-government organisation
NPA	Non-performing Assets
NRI	Non-Resident Indian
Net Interest Income	The difference between the interest earned and interest expended for a given period.
Non-SLR	Non-statutory liquidity ratio
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCBs	Overseas corporate Bodies as defined under FEMA
OTCEI	Over the Counter Exchange of India
p.a.	Per annum
PAN	Permanent Account Number under the I T Act
Pay-in Date	The date specified in the CAN sent to the bidders, as applicable
PFRDA	Pension Fund Regulatory and Development Authority
PML Act	Prevention of Money Laundering Act, 2002
Placement Document	The final Placement Document to be issued in accordance with Chapter VIII of the SEBI ICDR Regulations
Portfolio Investments	Investments made by registered FIIs or NRIs through an Indian stock exchange
Preliminary Placement Document	The Preliminary Placement Document dated October 21, 2009 issued in accordance with Chapter VIII of the SEBI ICDR Regulations
QIBs or Qualified Institutional Buyers	A Qualified Institutional Buyer as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
QIPs	Qualified Institutional Placements
RBI	Reserve Bank of India
Regulation S	Regulation S under the U.S. Securities Act of 1933, as amended and supplemented
Retail assets	Include home loans, personal loans, auto loans, consumer loans, commercial vehicle and construction equipment loans, education loans as well as security-backed loans of various types
SBI	State Bank of India
ESOP Schemes	Schemes issued by the Company under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 from time to time
SCRA	Securities Contract (Regulation) Act, 1956
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure and Requirements) Regulations 2009 issued by SEBI, as amended, including instructions and clarifications issued by the SEBI from time to time
Securities Act	The U.S. Securities Act of 1933, as amended and supplemented
Shares	Means the outstanding equity shares of the Company
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
Stock Exchanges	BSE, NSE and CSE

Term	Description
STT	Securities Transaction Tax
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
U.S. dollar, US dollar, US $ or U.S.$	Currency of United States of America
WOS	Wholly owned subsidiary

SUMMARY

This summary highlights information contained elsewhere in this Placement Document. This summary does not contain all the information that should be considered before deciding to invest in the Equity Shares. We recommend reading this entire Placement Document carefully, including the financial statements and related notes elsewhere in this Placement Document.

Overview

We are the flagship company of the Jai Balaji Group of companies. We were incorporated on July 1, 1999 and have a presence across the entire value chain of steel manufacturing, from processing iron ore and coal, to producing and distributing finished products. We were promoted by Mr. Sanjiv Jajodia, Mr. Aditya Jajodia and Mr. Rajiv Jajodia, who had entered into the steel manufacturing business by acquiring Chandi Steel Industries Private Limited in 1991. We started as a sponge iron manufacturer in the calendar year 2000 and have since diversified our portfolio of products at our facilities to become an integrated steel manufacturing company. According to the West Bengal Sponge Iron Manufacturers Association, as of August 2009, we are the largest private sector sponge iron manufacturer and one of the largest integrated steel producers in West Bengal.

The Company was incorporated as a private limited company under the name Jai Balaji Sponge Private Limited, and was converted to a public limited company in 2002. We set up our first sponge iron kiln, which had a daily capacity of 50 MT, in April 2000. We undertook an initial public offering in October 2003 and our equity shares were listed on the CSE and the NSE. In July 2007, we undertook a merger with another member of the Jai Balaji Group of companies, Shri Ramrupai Balaji Steels Limited, which was then listed on the BSE and the NSE. The merger took effect from April 1, 2006, and we changed our name to Jai Balaji Industries Limited. Our equity shares are now listed on the BSE, the NSE and the CSE. During fiscal 2008, we acquired the steel division of HEG Limited in Chhattisgarh and 100.0% of the shareholding of Nilachal Iron & Power Limited ("**NIPL**") in Jharkhand. We had consolidated total income of Rs.17,495.35 million and Rs.13,840.54 million in fiscal 2009 and fiscal 2008, respectively.

We offer a chain of value-added products including sponge iron, pig iron, TMT bars, alloy, non-alloy and mild steel ("**MS**") billets and ferro alloys. The following table illustrates our gross sales and services income for our products for the periods indicated:

Products	Fiscal Years 2009	Fiscal Years 2008	Change
	(Rs. Millions)		(%)
TMT rods and bars	5,416.38	4,900.60	10.52
Alloy and mild steel billets	4,501.55	2,373.83	89.63
Pig iron	3,663.96	1,943.14	88.56
Ferro alloys	1,597.46	688.92	131.88
Sponge iron	1,859.19	1,026.56	81.11
Other steel items	863.95	3,570.29	(75.80)
Others*	1,050.91	565.88	85.71
Total	18,953.42	15,069.22	25.78

**Others consists of sales of scrap and by products, conversion charges, sales of raw materials, services and other charges and sales of power.*

As of June 30, 2009, we had two rolling mills with a combined total annual capacity of 260,000 MT for producing TMT bars, two ferro alloy facilities with a combined total annual capacity of 106,618 MT, one alloy steel billet facility with a total annual capacity of 433,000 MT, three MS billet facilities with a combined total annual capacity of 473,230 MT, two pig iron facilities with a combined total annual capacity of 509,250 MT, four sponge iron facilities with a combined total annual capacity of 445,000 MT, one sinter plant with a total annual capacity of 608,256 MT, one coal washery with a total annual capacity of 216,000 MT and three captive power plants with a combined total capacity of 71.1 MW. In addition, we have four railway rakes with 61 wagons each, delivered to Indian Railways under the Wagon Investment Scheme ("**WIS**") and three private railway sidings. The WIS is a public-private partnership programme introduced by the Government in 2005 to encourage the participation of the private sector in the procurement of wagons to meet with the anticipated increasing freight traffic in India. Under this scheme, we have procured and supplied railway wagons to Indian Railways, in return for a guaranteed allocation of eight rakes per month for every rake supplied to Indian Railways, at a 10.0% discount on the freight charges. Each rake consists of 61 wagons. We are also guaranteed an additional two rakes for every rake supplied, without any discount on freight charges.

We intend to increase our production capacity through the expansion of our current facilities, greenfield investments and through strategic acquisitions. We are currently developing a ductile pipe unit and a coke oven and a rolling mill in our existing facility in Durgapur, West Bengal. In addition, we have entered into a development agreement with the government of West Bengal to set up an integrated steel plant at Purulia, West Bengal. We have also entered into two memoranda of understanding with the government of Chattisgarh for the development of an integrated steel plant and a power plant.

Our Strengths

Integrated operations

Our operations span the entire value chain. Our main facilities, which are located at Durgapur are capable of producing metallics or intermediaries, namely sponge iron, which is produced through the direct reduction process or DRI; pig iron, which is produced through the blast furnace process or BFP; both routes of steel billet making, namely induction furnace ("**IF**") and electric arc furnace ("**EAF**"); and finished products such as TMT bars and rods. We also have capacity to produce ferro alloys at our Durgapur facilities and we are in the process of constructing a ductile iron pipe unit at Durgapur, which will further diversify our product portfolio. Our facilities located in Ranigunj, Durg and Kandra produce primarily intermediary products, which we use to produce finished products in our facilities located in Durgapur. Intermediary products which are in excess of our requirements are sold in the markets in the vicinity of our facilities. As an integrated steel manufacturer, we believe that our operations are sufficiently flexible to enable us to alter our product mix and position in order to minimise any adverse effect on our business in the highly cyclical steel industry, as prices and gross margins for each product in our production line vary and fluctuate. In addition, our facilities have power generation capabilities with our captive power plants and access to owned infrastructure, such as railway sidings. We have also secured our own sources of raw materials such as iron ore, coking and non-coking coal, which mines will become operational within the next two fiscal years. We believe that with this level of integration, our exposure to the volatility of raw material prices will be limited. We are also able to achieve significant cost saving as a result of our integrated operations.

Cost competitiveness

Given the commoditised nature of most segments of the steel business, cost competitiveness is a key component of success. We believe we have low production costs relative to most of our competitors, which is partly attributable to our integrated operations. In addition, we continuously endeavour to adopt cost saving measures in our operations. At our integrated steel manufacturing facility at Durgapur, we use free fuels such as waste heat recovered from our blast furnace and the direct reduction process, dolochar, which is a waste product of the direct reduction process, as fuel for our captive power plants. We also collect dolochar from other non-integrated manufacturers located in the vicinity of our facilities for our own use. Further, we purchase less expensive non-coking coal, which has higher content of impurities, primarily ash, for use in our manufacturing facilities. We wash such coal in our coal washery at our facility, thereby improving our manufacturing yield and we use the ash as fuel for our power plants. Utilising our own captive power plants to cater to our energy requirements significantly reduces our operating costs, specifically for ferro alloys production, which requires a significant amount of power. As a result, we believe our energy costs are low when compared to companies with equal scales of operations. Our Durgapur facilities are also supported by a sinter plant, which enables us to use lower cost iron ore fines in lieu of iron ore lumps. We are also currently looking to augment our backward integration by mining our own coal and setting up a coke oven plant to further reduce costs. Thus, we believe we enjoy significant cost advantages in the production of steel.

Strategic location of our operations and efficient logistics network

We currently have manufacturing facilities spread across four locations in West Bengal (Durgapur and Ranigunj), Chattisgarh (Durg) and Jharkhand (Jamshedpur), which are all located in eastern India. These locations are in the middle of India's mineral belt with relative proximity to iron ore sources and coal mines, and are well served by ports and other logistics networks. Transportation costs of our raw materials account for a significant portion of our manufacturing costs as we require approximately three tonnes of raw material in order to produce approximately one tonne of metal. Therefore, controlling the costs of transporting such material is critical to protect our profit margins. Due to our geographic proximity to the sources of raw materials, we are able to save on freight cost in transporting our raw materials. We have also developed three railway sidings, one at our plant in Durgapur and the other two at our raw materials locations at Barbil in Orissa and Muripar at Chattisgarh, at a total cost of Rs.411.91 million. The private siding within our plant in Durgapur allows us to deliver products to customers by rail without being hampered by the generally congested public siding, thereby increasing our market penetration. Furthermore, we are not required to pay multiple handling and shunting charges. We have also procured and delivered four railway rakes of 61 box wagons each to Indian Railways under the WIS at a total cost of Rs.546.00 million. Under this scheme, Indian Railways will operate our rakes, but the Ministry of Railways guarantees allocation of eight rakes per month for every rake supplied to Indian Railways, which translates into 32 rakes per month that are available for us to transport our raw materials.

We are also entitled to a 10.0% discount on the freight charges for the first 24 rakes under the scheme. Our logistics networks have recently come into operation and we believe that in time, virtually all our raw material requirements will be transported by the rail network, thereby reducing our transportation costs and giving us a significant competitive advantage over our competitors in both eastern and western India.

Established project execution skills

Over the past few years we have been able to successfully implement all our projects, including capacity expansion projects. All our capacity expansions were organic except our acquisition of NIPL in Jharkhand and the steel division of HEG Limited in Chhattisgarh in fiscal 2008. Our capacity expansion has enabled us to improve the quality of, and increase the range of, our products within a relatively short period of three years, since we began our expansion programme in 2004. We have a proven track record in implementing our expansion plans on a timely basis and without incurring significant cost overruns. We believe we have managed to implement our capacity expansion at some of the lowest capital costs as compared to our peers as a result of our in-house projects execution team, which comprises civil, metallurgical, mechanical, electrical and chemical engineers. As of June 30, 2009, we employed 365 of such personnel. Where we are required to engage the services of third party EPC contractors, we have split the project and awarded contracts to several contractors, which we have found to be more cost effective as compared to awarding a contract to a single contractor on a turnkey basis. Also, we have found it easier to monitor the progress of our third party contractors under smaller, separate contracts. In addition, due to our continuous expansion activities, we have been able to achieve economies of scale in the procurement of EPC services from such third party contractors. All these have enabled us to rapidly grow our operations at a relatively low cost within a span of five years. For example, we achieved a combined annual capacity expansion of our facilities in West Bengal from 100,000 MT to 735,000 MT (including a 260,000 MT per annum rolling mill, a 314,424 MT per annum steel melting shop, a 30,118 MTPA Ferro Alloy plant and a 52 MW power plant) at a total cost of Rs.5,700.09 million during fiscals 2004 to 2007. The following table sets out the capacity expansion and upstream integration we achieved as the result of our ongoing expansion plan, for the years indicated:

Capacity expansions	Fiscal Years				
	2005[1,2]	2006	2007[3]	2008[4]	2009
	(MTPA, unless otherwise stated)				
Finishing Lines		30,118 (Ferro Alloy)	80,000 (Re-rolling) 180,000 (Re-rolling)	51,000 (Ferro Alloy)	25,500 (Ferro Alloy)
Metal Capacity	79,200 (MS Billets)		235,224 (MS Billets)	158,806 (Billets)	433,000 (Alloy Billets)[5]
Metallics	105,000 (Sponge Iron)		120,000 (Sponge Iron) 509,250 (Pig Iron)	220,000 (Sponge Iron)	
Upstream Integration		12 MW Power Plant	216,000 TPA Coal Washery 40 MW Power Plant	12.8 MW Power Plant	608,256 TPA Sinter Plant 6.3 MW Power Plant
Logistics			2 Rakes under WIS	2 Railway Sidings 1 Rake under WIS	1 Railway Siding 1 Rake under WIS

1. The numbers for fiscal 2005 and fiscal 2006 refer to Jai Balaji Sponge Limited, prior to the merger
2. Fiscal 2005 numbers refer the total capacity as of March 31, 2005
3. Fiscal 2007 capacity additions include facilities added due to the merger of Shri Ramrupai Balaji Steels Limited
4. Fiscal 2008 numbers include the acquisition of the steel division of HEG limited and the acquisition of NIPL
5. This capacity was added in June 2009

We are entitled to certain subsidies that have been offered by the government of West Bengal

We are eligible for various incentives from the government of West Bengal for our existing facilities at Durgapur under the West Bengal Incentive Scheme, 2000 and 2004, and the West Bengal Incentive to Power Intensive Industries Scheme. Under these schemes, we are eligible for, and have been given, among other things, the following incentives:

- industrial promotion assistance ("**IPA**") including the state capital investment subsidy;
- power subsidy;
- interest subsidy.

As of June 30, 2009, we have been granted three IPA packages for the expansion projects at our Durgapur facilities, based on the approved project costs of Rs.1,750.00 million, Rs.934.04 million and Rs.17,337.95 million, respectively, which represent our estimated fixed capital investment. Under the IPA scheme, we are entitled to 75.0% of our net sales tax liability, which we will receive over a period of 15 years, provided we will be entitled to not more than 100.0% of our fixed capital investment in the project costs. We have also been granted a state capital investment subsidy, amounting to 15.0% of our fixed capital investment, subject to a maximum of Rs.15.00 million for each IPA package granted to us, which we will receive over a period of 10 years. Further, we are entitled to a power subsidy in respect of power we purchase for consumption in Durgapur. Under this power subsidy, we are currently exempted from paying electricity duty on 15.0% of the purchased electricity for our production and operations activities, for a period of five years beginning from the respective commencement of production dates of the facilities set up under the approved expansion projects.

We will also receive a rebate from the government of West Bengal, equivalent to 2.0% of our energy consumption charge, for a period of six years, ending in calendar year 2009. We are entitled to a five-year interest subsidy of an amount equivalent to 50.0% of the annual interest payable on term loans we have taken from commercial banks and financial institutions, subject to a maximum of Rs.10.00 million per year. For fiscal 2009, the total incentives accrued to us under these schemes totalled Rs.292.93 million. Under the development agreement we signed with the government of West Bengal, our greenfield Purulia project will also be eligible for similar benefits in the form of financial concessions and other forms of incentives from the government of West Bengal in accordance with the West Bengal Incentive Scheme 2004 and other policies of the government of West Bengal to be mutually agreed upon by the government of West Bengal, West Bengal Industrial Development Corporation Limited ("**WBIDC**") and the Company.

Experienced management team and skilled employee base

Our management team has in-depth industry knowledge and extensive experience in the steel industry. Our senior projects and technical team have over two decades of experience in their respective business segments and have been instrumental in our growth. Our Promoters, who form our core management team, have been in the steel and ferro alloys industry since 1991. We believe that our management team is well placed to provide strategic leadership and direction to explore new emerging opportunities in our business as well as to constantly improve our current operations. We have witnessed low attrition of key management personnel and have also recruited several professionals with domain expertise in critical areas from our larger competitors. We believe our management provides us with a significant competitive edge. As of June 30, 2009, we had 2,601 employees on our payroll and we employed 4,500 persons on a contractual basis.

Our Strategy

Reduce our production costs by focusing on raw material procurement

Cost competitiveness is a key component to our success. One of the key cost components in our business is the cost of raw materials, especially coking coal, which is used to make coke, which is, in turn, used to make pig iron. We now have our own allocated coking coal block, ("Rohne coal block") in consortium with JSW Steel Limited and Bhushan Steel Limited, which has an estimated geological reserve of 410.00 million tonnes and a tentative extractable reserve of 250.00 million tonnes, where our share of the extractable coal is approximately 17.23 million tonnes. We expect the Rohne coal block to start production in fiscal 2012. We anticipate that once commissioned, this mine will provide us with most of our coking coal requirements, thereby reducing our raw material costs significantly. Further, we also have obtained a non-coking coal block ("**Dumri coal block**") through the acquisition of NIPL in October 2007. This block was awarded to NIPL in consortium with Thakur Prasad Soa & Sons Private Limited (formerly known as Bajrang Ispat Private Limited) ("**Thakur**") and has estimated proved and indicated reserves of 55.99 million tonnes of coal. NIPL has a 68.12% share in this coal mine. We have prepared mining plans for exploiting this resource and we expect to commence production from the mine in fiscal 2010. We estimate the Dumri coal block to contribute significantly to our non-coking coal requirements for our Kandra sponge iron plant once the mine is commissioned. As of March 31, 2009 we have invested Rs.187.18 million in the development of the mines at the Rohne and Dumri coal blocks, including costs related to bank guarantees given to the Ministry of Coal. Further, in July 2009, we have been allocated another non-coking coal mine in Andal East, which has an estimated geological reserve of 700.00 million tonnes where our share of the coal is approximately 229.50 million tonnes. See "— Our Coal Mines". In addition to the coal mines, NIPL has been granted a mining lease of over 450.00 hectares in Silpunji and Kantoria in West Singhbhum, Jharkhand for iron ore and manganese ore mining. We expect the geological surveys for determining the reserves in this mining area to start in the third quarter of fiscal 2010. We intend to source our iron ore requirements, which is also an important factor in our raw material costs, from this block once this mine is commissioned. As a result, we believe we will be able to reduce our raw material expenses significantly once we start operating our mines.

Reduce our production costs by continuing to focus on captive power generation

In addition to reducing our raw material procurement costs, we intend to reduce our power and fuel costs by developing more captive power plants for our facilities. We consumed 530.79 million KW of energy at our manufacturing facilities during fiscal 2009 and our power and fuel cost was Rs.1,087.90 million, or 6.22% of our total income for the same period. We currently have operational power plants that are capable of generating 71.1 MW of power. In order to further reduce our energy costs, we have commenced the development of an additional 40 MW power plant at our facility in Durgapur at an estimated cost of Rs.1,100.00 million. We expect to commission this power plant in the third quarter of fiscal 2010. As power generated by our captive power plants is less costly than power purchased from the grid, we expect that once commissioned, our own captive power plants will provide us with approximately 75.0% of our currently planned post expansion energy needs, thereby reducing our costs of production.

Move up the value chain with respect to our products

We have historically focused on producing intermediate products such as sponge iron and pig iron and we currently intend to focus on increasing the proportion of downstream value-added products in our portfolio of products. We believe we are well positioned to do this as our downstream expansion activities should be well supported by our expanding upstream capabilities. As a result, we intend to focus on increasing production of higher margin products such as TMT bars and ferro alloys to obtain more revenue from the products we sell. We are also in the process of establishing a 240,000 MT ductile pipe plant at Durgapur, at a total estimated cost of Rs.2,680.00 million to further diversify our product portfolio. We expect to complete this plant in the last quarter of fiscal 2010. We have also commenced with the development of a 300,000 MT per annum coke oven plant at a total estimated cost of Rs.2,400.00 million, which is expected to be completed by the third quarter of fiscal 2012 and a 300,000 MT rolling mill at a total estimated cost of Rs.400.00 million which is expected to be completed by the third quarter of fiscal 2011. We expect to also produce alloy steel bars and rods with our new rolling mill.

Implement our future expansion programme

We have entered into a development agreement with the government of West Bengal to set up an integrated steel plant with a total annual capacity of five million MT, a cement plant with a total annual capacity of three million MT and a captive power plant capable of generating 1,215 MW at Purulia in West Bengal. We have already secured a long term lease over 1,129.76 acres of land for this project and have commenced with certain pre-project activities. We have also received water clearance, railways traffic clearance, in-principle approval from the state electricity board for construction power plants from the respective authorities and have also applied for environmental clearances for this project. As of June 30, 2009, we have incurred Rs.562.00 million in relation to this project, including the costs for the procurement of leasehold rights for the land.

We intend to develop our Purulia plant in a modular fashion, over several phases through fiscal 2017. We intend to first develop and commission facilities for upstream products, namely sponge iron and pig iron. We envisage that the income generated from this upstream facility would provide the necessary capital for us to gradually develop our downstream capabilities at this new plant. We have also signed two memoranda of understanding with the government of Chattisgarh for setting up an integrated steel plant and power plant in Chhattisgarh. See "— Expansion and Development Programme".

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Placement Document, including under "Issue Procedure", "Description of the Equity Shares" and "Placement".

Issuer	Jai Balaji Industries Limited having its registered office at 5, Bentinck Street, Kolkata 700 001, India.
Issue Size	8,295,586 Equity Shares of the Company of Rs. 239.30 each
Issue Price	Rs. 239.30 per Equity Share The Floor Price of the Issue on the basis of Regulation 85 of Chapter VIII of the SEBI ICDR Regulations is Rs. 239.21 per Equity Share
Eligible Investors	QIBs
Shares issued and outstanding immediately prior to and after the Issue	55,485,900 Equity Shares issued and outstanding immediately prior to the Issue. Immediately after the Issue, 63,781,486 Shares will be issued and outstanding.
Listing	The Company has applied for and received the in-principle approval of the BSE, the NSE and the CSE to issue the Equity Shares to QIBs.
Transferability Restriction	The Equity Shares being allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on a recognised stock exchange in India. See "Placement" for other transfer restrictions relating to offers and sales of the Equity Shares.
Closing	The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about October 28, 2009 ("**Closing Date**").
Ranking	The Equity Shares shall be subject to the provisions of the Company's Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Company after the Closing Date, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held.
Use of Proceeds	The net proceeds of this Issue (after deduction of fees and commissions) are expected to be approximately Rs. 1,902.77 million. The Company intends to use the net proceeds received from the Issue for general corporate purposes and other purposes, See "Use of Proceeds".
Lock-up	The Company has agreed not to issue equity or equity-linked securities for a period of 60 days from the date of the Placement Document, subject to certain exceptions. The promoters, certain Directors and certain shareholders of the Company have also agreed for a period of 60 days from the date of the Placement Document not to sell or otherwise dispose of their respective shareholdings in the Company. For details, please refer to the section "Placement".
Risk Factors	Prior to making an investment decision in this Issue, Investors are advised to carefully consider "Risk Factors" section contained in this Placement document.
Security Codes:	
ISIN	INE 091G01018
BSE Code	532976
NSE Code	JAIBALAJI
CSE Code	10020253

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, our business, prospects, financial condition and results of operation could be seriously harmed, the trading price of our shares could decline and you may lose all or part of your investment. Unless specified or quantified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the market price of the Equity Shares.

Risks Relating to our Business

If we are unable to obtain a steady supply of raw materials, including iron ore and coke, at reasonable costs, our results of operations may be adversely affected.

The success of our steel manufacturing operations depends on, among other things, our ability to source, at competitive prices, raw materials which include iron ore, coking coal or coke, non-coking coal, scrap metal and other raw materials such as manganese ore, limestone, quartzite and dolomite. Iron ore and coke, however, are the primary raw materials for the manufacture of steel and these accounted for 32.00% and 35.00%, respectively, of our total raw material costs in fiscal 2009. We currently purchase high grade iron ore from private mines in India and also procure iron ore from government mining companies. Our iron ore supply agreements are short term contracts, which are renewed towards the end of their terms. We import and purchase coking coal in high seas purchases at spot rates. Due to the increasing prices of coke, we endeavour to procure large quantities of coking coal sufficient to meet our requirements for periods of two months each time we purchase coking coal. For details on our raw materials arrangements, see “Our Business — Raw Materials and Other Key Inputs”.

We may not be able to renew the supply contracts for the iron ore we acquire from our suppliers at commercially reasonable prices, or at all. Similarly, as most of our coking coal is purchased in the high seas, we cannot guarantee that we will be able to continue to do so at reasonable prices, or at all. If we are not able to obtain a steady supply of iron ore at competitive prices, our business and results of operations would be adversely affected. Similarly, if we are not able to obtain coke at commercially reasonable prices or if measures we take to protect ourselves from the volatility of spot rates for coke are ineffective, our business and results of operations could be adversely affected.

Changes in the market prices of our products could adversely affect our results of operations.

We currently sell approximately all of our saleable steel production in the Indian market. Our pricing for all our products is based on various factors, including domestic demand-supply outlook, inventory levels and prices offered by competitors. We sell the majority of our finished steel products to the infrastructure construction industry in various sectors including the transportation, power and housing sectors and the metals industry. Our principal finished products are TMT rods and bars, which we sell to Indian companies in the infrastructure construction industry. We target government bodies, large infrastructure construction companies, real estate developers and power developers, as customers for our TMT bars. As a result, the market for our products is driven substantially by changes in supply and demand in the domestic steel market, which are, in turn, significantly affected by the state of the economy, competition and consolidation within the steel industry. The primary factors affecting our sales income are our sales volume, our product mix and the prices of our products.

Steel prices in India have been volatile in the past, and have risen significantly over 2007 and through the first half of calendar year 2008 with the average steel prices increasing from Rs.22,294 per MT in 2006 to Rs.34,470 per MT in 2008. However, due to weak economic conditions and an oversupply of steel products, average steel prices in India declined sharply to approximately Rs.27,500 per MT in the second half of fiscal 2009. As a result, although our net sales and services income increased to Rs.17,179.38 million for fiscal 2009 as compared to Rs.13,274.69 million for fiscal 2008, due to an increase in the volume of products sold and further value addition due to our increased integration, our consolidated profit decreased to Rs.18.38 million for fiscal 2009 from Rs.1,216.80 million for fiscal 2008, a decrease of 98.48% which was partly as a result of the decrease in steel prices. Any significant decline in the prices of our products or adverse development in the steel industry may adversely affect our operating revenues and results of operations.

We depend on third party distributors to sell our products.

We rely on consignment agents as we do not have a direct distribution network in southern India. Currently, consignment agents account for approximately 36.59% of our TMT bar sales. Our largest consignment agent, Bhuwalka Sales Corporation Limited, a Bangalore based trader, accounted for approximately 12.00% of our total sales in fiscal 2009. There can be no guarantee that we can maintain our business relationship with our consignment agents. Furthermore, sales through these agents usually result in lower selling prices since products are sold at a discount to the agents. Over reliance on third party distributors such as consignee agents may place us at a competitive disadvantage over our competitors.

We have not obtained the land use rights or complete title records for some of our properties.

We have made applications to convert some of our agricultural land to non-agricultural land where industrial uses are permitted and are in the process of obtaining the relevant land use right certificates that we do not currently hold. As such, certain portions of our integrated manufacturing facilities at Durgapur in Banksopa, West Bengal are situated on land not permitted for industrial use. We cannot assure you that the relevant government authority will not impose any fines or penalties on us for the illegal or unauthorised use of agricultural land. The relevant government authority may also seize or dismantle such premises. In addition, title deeds for certain portions of our land in Durgapur are not complete. Our two facilities located at Durgapur are our main manufacturing facilities, which produced most of our steel products in fiscal 2009. This location also houses most of our main plant and machinery, such as our captive power plants, sinter plant and railway sidings. Any penalties or actions taken by the government authorities that affect these facilities' ability to produce steel would have an adverse effect on our business, growth and results of operations. We cannot assure you that we would not encounter any problem in enforcing our land use rights.

Our mineral mining operations are dependent on our ability to obtain, maintain and renew licenses and approvals and maintain our mining leases from the Government and other relevant government authorities.

Allocations and mining leases for minerals are generally granted by the relevant government or ministry responsible for such mineral. Coal mining comes under the ambit of the Ministry of Coal and the process of obtaining a mining lease entails the Ministry of Coal allocating a block for development to consortia or special purpose vehicles, subject to certain conditions such as compliance with applicable regulations and achieving milestones with respect to the development of the mine. Only upon compliance with the conditions in the allocation letter are such parties entitled to enter into mining leases with the respective state governments along with approval of the Government. We have not formally entered into mining leases for the blocks that have been allocated to us as our consortia have not achieved all of the requisite milestones. Similarly, NIPL has not been granted a formal mining lease in respect of its iron ore and manganese ore mining lease, as the relevant allocation letter requires NIPL to comply with applicable regulation, such as the Mines and Minerals (Development and Regulation) Act, 1957 and Forest (Conservation) Act, 1980, prior to the formal grant of such mining lease. The eventual mining operations and production of these mines would also require the necessary rights, permits, licences and approvals from the Government or other governmental authorities. Any delay or failure in obtaining any of these would delay or prevent commencement of commercial production of the mines.

Our rights to mine minerals in our allocated areas depend on the continued validity of our mining leases. We may need to incur additional costs in order to legally hold, use or benefit from the mining rights associated with these mines. We anticipate that the provisions of the mining leases would subject us to various risks. Our mining leases may be terminated by the Government if we fail to comply with our obligations under the mining leases, including the payment of royalties and taxes to the Government and the satisfaction of certain mining, environmental, health and safety requirements. The letters of allotment issued to us contain restrictions on the end use of coal and other minerals extracted from the mines allocated to us, which are specific to particular facilities for which the allocations have been made. We cannot assure you that we will be in a position to comply with all these restrictions at all times and the Government may terminate our mining leases or take other action against us if we fail to comply with such restrictions

We cannot assure you that the Government will not terminate our mining rights or that the Government will not require significant alterations to our mining leases in the future which may be adverse to our interests. We must renew all of our permits, licenses and approvals as they expire, as well as obtain new licenses and approvals when required. There is no assurance that the Government will issue or renew the rights, permits, licenses or approvals we require in the timeframe we anticipate, or at all.

We require a number of approvals, licenses, registrations and permits to develop and operate our expansion projects, and the failure to obtain or renew them in a timely manner may adversely affect our operations.

We require a number of approvals, licenses, registrations and permits for developing and operating projects. While we have obtained a number of required approvals for our expansion projects, certain approvals that we have applied for are currently pending. Additionally, we may need to apply for more approvals, including renewal of approvals which may expire, from time to time, in the ordinary course.

If we fail to obtain any applicable approvals, licenses, registrations and permits in a timely manner, we may not be able to develop our expansion projects on time, or at all, which could affect our business and results of operations.

We may not be successful in implementing our growth strategies.

We have experienced rapid growth in a relatively short period of time. The success of our business will depend heavily on our ability to effectively implement our continuous growth strategies which involve, among other things, augmentation of existing capacities and the development and construction of new plants. Our growth has required significant management and operational resources, as well as capital commitments, and is likely to continue to do so. See "Our Business—Our Strategy". We cannot assure you that we would be able to execute our strategies on time and within the estimated budget. Our growth strategies also require us to effectively manage our expansion projects, increase our workforce, develop new markets and attract new customers. We cannot assure you that we will be able to sustain our growth in the future. If we are unable to manage our growth effectively, our business and financial results could be adversely affected.

Our expansion projects may require significant capital expenditure and may not be completed in the timeframe or at cost levels originally anticipated, and may not achieve the intended economic results.

We currently have a number of expansion projects planned for our existing facility in Durgapur and Kandra and also intend to undertake certain greenfield growth projects. For example, we are currently developing an integrated steel plant with a cement plant and a captive power plant in Purulia, West Bengal. We have been allotted coking and non-coking coal mines for captive use at our facilities. We also have iron ore and manganese ore blocks in Silpunji and Kantoria in West Singhbhum, Jharkhand. To further supplement our existing mineral reserves, we have made applications to various governments for additional coal mines and iron ore mines in our effort to source cost efficient raw materials. For further details on our expansion plans, see the "Our Business—Expansion and Development Programme".

We have invested and will be investing a significant amount of money in these projects and other future projects, which could be significantly delayed. Delays could be caused by failure to receive necessary licenses, regulatory approvals or to obtain sufficient funding, or due to construction delays, technical difficulties, human resources, technological or other resource constraints, or for other unforeseen reasons, events or circumstances. Such delays could result in significant cost overruns and lower than expected production. Delays could also render our lease rights to our coal, iron ore /or manganese ore mines cancellable, which would compel us to procure such raw materials from the open market. All these factors would affect adversely our results of operations.

Further, the funding requirements and project costs for our projects are based on management estimates. The implementation of our projects is subject to a number of variables, and the actual amount of capital required for these projects may differ from our estimates. We cannot guarantee that the funding requirements of any particular project will not substantially exceed these estimates.

We face substantial risks in developing our coal, iron ore and manganese ore mines.

We have been allocated coal blocks, namely the Dumri coal block, the Rohne coal block and the Andal East coal block, which are located across the states of Jharkhand and West Bengal. We share these coal blocks with other parties and our shares in these coal blocks are held through special purpose vehicles, except the Dumri coal block, which is held by NIPL. We expect to commission the Dumri coal block and the Rohne coal block in fiscals 2010 and 2012, respectively. As of March 31, 2009, we have spent Rs.84.98 million on the exploration and development of the Dumri coal block and Rs.102.20 million on the exploration and development of the Rohne coking coal block. In addition, we also hold, through NIPL, a mining lease over 450.00 hectares of land in Silpunji and Kantoria in West Singhbhum, Jharkhand for iron ore and manganese ore mining. Exploration and development works are ongoing in these mines.

We require various licenses and approvals from the Government and government authorities to operate our mineral mines, and this subjects us to various risks. See "—Our mineral mining operations are dependent on our ability to obtain, maintain and renew licenses and approvals and maintain our mining leases from the Government and other relevant government authorities." Further, we face risks in relation to the joint development of our coal mines with other third party consortium members. The inability or unwillingness of the other consortium members to continue to fulfill their obligations in respect of mine exploration and development may cause delays, failure or result in us bearing increased and possibly sole responsibility for the exploration and development of the mines. The occurrence of any of these events may compel us to purchase all of our coal requirements in the open market. There is also no assurance that we will be granted new leases for future expansion projects or that the leases will be renewed on terms advantageous to us.

The Government is currently considering the announcement of a new mining and mineral policy based on the recommendations of a committee that is reviewing the Government's current mining lease allocation practices. Under such new policy, the Government may increase the royalty payable on existing mining leases, it may limit the renewal of existing mining leases and it may limit or abolish the allocation of new mining leases. Additionally, the coal sector will likely have an independent regulator overseeing a series of issues, starting from allocation of coal blocks to the pricing and sale of coal in India. We cannot assure you that such reforms will not have any adverse impact on our coal mines.

We have no experience in coal, iron ore and manganese ore mining operations, which are subject to a number of operational risks and hazards.

Coal and other mineral mining operations are subject to operational risks and hazards associated with the exploration, development and production processes, any of which could disrupt our ability to extract coal, iron ore and/or manganese ore from the mines we operate, delay our production and delivery of such minerals, increase the cost of our mining operations, expose us to significant liability, disrupt our operations or cause damages to persons or property. These conditions include:

- industrial accidents;
- unexpected equipment failures, maintenance or technical problems;
- failure to obtain key materials and supplies, such as power, explosives, fuel and spare parts (particularly tires for hauling trucks and excavators);
- delays or disruptions in our coal, iron ore and/or manganese ore chains;
- changes in geologic conditions of mining pits;
- variations in coal, iron ore and/or manganese ore seam thickness, the amount and type of rock and soil (overburden) overlying the coal seam and other discrepancies to geological models;
- failure of reserve estimates proving to be correct; and
- unusual or unexpected variations in mining conditions.

We have not operated any coal or other mineral mining blocks in the past and may not be able to manage the aforesaid operational risks and hazards. Such risks could adversely affect our operations and results of operations.

The coal reserve data in this Placement Document are estimates and subject to assumptions, and hence may be inaccurate.

The coal reserves data set forth in "Our Business—Our Coal Mines" in respect of unexplored coal blocks are based on the allocation letters we received from the Ministry of Coal. The reserve estimates given for the Dumri coal block, which has been explored, are based on reports of experts prepared in March 2006. Such data is subject to assumptions and are based on interpretations of the data of geographical exploration obtained from sampling techniques and projected rates of production in the future.

The coal reserve data are only estimates and may differ significantly from our actual volume of reserves and rates of production. There are many factors, assumptions and variables beyond our control that result in inherent uncertainties in estimating reserves. We believe these estimated coal reserves and resources have been determined by taking into account knowledge, experience and industry practice and may require revision based upon actual production experience, operating costs and other factors. Determinations of coal resources or reserves that appear valid when made may change significantly in the future when new information becomes available. If the actual amounts of coal reserves are less than our estimates, we may have to purchase the balance in the open market. Prices in the open market may significantly exceed the cost at which we might otherwise be able to extract coal from our own mines. In addition, fluctuation in factors, including coal prices, production costs and transportation costs, variations in recovery rates or unforeseen geological perils, may force us to revise our estimates of coal reserves. If such revision results in a material reduction in our reserves, it could adversely affect our financial condition and results of operations.

The construction and operation of steel manufacturing plants and coal mines may be adversely affected by public and political opposition to our operations.

The construction and operation of steel manufacturing plants and coal mines has, in the past, faced opposition from the local communities where these projects are located and from special interest groups. For example, we may face opposition from the public, the forest authorities and other authorities against our mining operations due to the perceived adverse impact it may cause to the environment. There have been cases of public protests in India against such operations. If our mining operations lead to a displacement of people, we can start the development of our mining projects only after obtaining the consent of such affected persons and the resettlement and rehabilitation of such persons. We cannot assure you that we will not face any objection or dispute in relation to such resettlement, including litigation which may entail us having to suspend mining operations until the dispute is resolved. If local communities, NGOs and other parties, at public hearings or otherwise, oppose the construction and operation of our steel manufacturing plants and coal mines, our business, results of operations and financial condition may be adversely affected.

Our businesses are subject to extensive government regulation and any policy or regulatory changes in our industry could disrupt our operations and adversely affect our results of operations.

Our businesses are subject to extensive government regulations, policies and controls, by among others, the Ministries of Steel, Environment and Forests, and the State Pollution Control Board, which govern many aspects of our industry, including, among other things, the granting and renewal of permits and licenses, production safety and casualty rate, and taxes and fees.

We are also subject to significant, extensive and increasingly stringent safety and environmental protection laws and regulations in India. These laws and regulations govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Compliance with current and future environmental regulations may require us to bear substantial capital expenditures or other obligations and liabilities. In certain cases, we may be required to close down non-compliant plants. We may therefore be required to incur additional expenditures for establishing additional infrastructure for monitoring pollution impacts and effluent discharge. If the operation of any of our plants results in any contamination of the environment, we could be subject to substantial civil and criminal liability and other regulatory consequences.

The liabilities, costs and obligations and requirements associated with these laws and regulations may be significant. In addition, the relevant governing regulations and the manner of their implementation are subject to change. We cannot assure you that we will be able to obtain and comply with all the requirements for all the necessary approvals, licenses and permits required for our business operations, or that change in the governing regulations or the methods of implementation will in our favour occur, or not occur, at all. If we fail to comply with all applicable regulations or if the regulations governing our business or their implementation change against our interest, we may incur additional costs or be subject to fines and penalties or be required to take corrective action, which could disrupt our operations and adversely affect our business and results of operations.

We rely on the timely supply of raw materials to our manufacturing facilities and transportation of our products from our plants to our customers.

We depend on various forms of transport, such as seaborne freight, rail and road transport to receive raw materials used in steel manufacturing as well as to deliver our products from our plants to our customers. For example, we source our critical raw materials such as iron ore and coal from mines in Orissa and Jharkhand for our plant at Durgapur. Any delay in the supply of raw material to our facilities may disrupt our manufacturing operations, which would, in turn, hamper our efforts in fulfilling our obligations to supply finished products to our customers in a timely manner.

There can be no assurance that our transportation facilities adequately support our operations. Disruptions of transportation services because of traffic congestion, unavailability of railway wagons or trucks, weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair our ability to source raw materials and our ability to provide our products to our customers in a timely manner. Any delay in transportation may adversely affect our business and results of operations.

We regularly work with volatile materials and activities in our operation can be dangerous, which could cause injuries to people or property.

Our business requires individuals to work under potentially dangerous circumstances or with flammable materials. For example, if improperly handled, molten iron can seriously hurt or even kill employees or other persons, and cause damage to properties. Despite compliance with requisite safety requirements and standards, our operations are subject to significant hazards, including:

- explosions;
- fires;
- earthquakes;
- mechanical failures, operational problems, transportation interruptions;
- inclement weather and natural disasters;
- discharges or releases of hazardous substances, chemicals or gases; and
- other environmental risks.

These hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment as well as environmental damage, which could result in a suspension of operations and the imposition of civil or criminal liabilities. The loss or shutting down of our steel manufacturing facilities could disrupt our business operations and adversely affect our results of operations, financial condition and reputation. We could also face claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances or other hazards at our facilities. If these claims and lawsuits, individually or in the aggregate, are resolved against us, our results of operations and financial condition could be adversely affected.

We may be unable to obtain future financing on favourable terms, or at all, to fund our operations, expected capital expenditure and working capital requirements.

We require capital for, among other purposes, operating and maintaining our existing plants, expanding our operations, making acquisitions, acquiring new equipment and complying with environmental laws and regulations. For details of our planned capital expenditure, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

To the extent that cash generated internally and cash available under our existing credit facilities are not sufficient to fund our capital requirements, we will need to raise additional debt or equity financing, which may not be available on satisfactory terms, or at all. If we decide to meet our capital requirements through debt financing, our interest obligations will increase and we may be subject to additional restrictive covenants. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of our existing shareholders will be diluted.

Future debt financing, if available, may result in increased finance charges, increased financial leverage, decreased income available to fund further acquisitions and expansion and the imposition of restrictive covenants on our business and operations. In addition, future debt financing may limit our ability to withstand competitive pressures and render us more vulnerable to economic downturns. Our ability to finance our capital expenditure plans are subject to a number of risks, contingencies and other factors, some of which are beyond our control, including tariff regulations, borrowing or lending restrictions, if any, imposed by the RBI and general economic and capital market conditions. Furthermore, adverse developments in the Indian and international credit markets may significantly increase our debt service costs and the overall cost of our funds. Changes in the global and Indian credit and financial markets have recently significantly diminished the availability of credit and led to an increase in the cost of financing. Such developments may significantly increase our debt service costs and the overall costs of our funds. Our attempts to obtain future financings on favourable terms may not be successful. In addition, our ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under Indian law. If the funding requirements of a particular expansion project increase, we will need to look for additional sources of finance, which may not be readily available, or may not be available on attractive terms. We cannot assure you that we will be able to raise adequate capital in a timely manner and on acceptable terms, or at all. This may result in an adverse effect on our results of operations and financial condition.

We may encounter increases in the cost and shortages in the supply of raw materials, energy and transportation.

Our business requires substantial amounts of raw materials and energy, including iron ore, coking coal, non-coking coal, scrap and electricity. While India has substantial coal resources and reserves, significant investments would be required to exploit and mine these resources and reserves. As a result, there is a current shortage in coal supply in relation to the coal demand of industries which are dependent on coal in India. There can be no assurance that we will be able to obtain sufficient coal on commercially reasonable terms. While domestic coal production has managed to keep pace with past demand, the requirement for coal is expected to rise sharply in the future, driven by significant capacity addition in the power sector. Heavy reliance on domestic coal could therefore expose us to potential price and availability risks. Fuel constraints may affect our future capacity addition plans. In addition, the availability and prices of raw materials may be negatively affected by, among other factors, new laws or regulations; accidents or other similar events at suppliers' premises or along the supply chain; suppliers' allocations to other purchasers; interruptions in production by suppliers; wars, terrorism, natural disasters and other similar events; changes in exchange rates; consolidation in steel-related industries; the bargaining power of raw material suppliers; worldwide price fluctuations; and the availability and cost of transportation. Therefore, any increases in the cost of raw materials may have an adverse impact on business and results of operations of steel companies.

In addition, energy costs, including the cost of electricity, make up a substantial portion of our production cost. Our operations generated approximately 40.00% of our power needs through captive power plants located at our facilities for fiscal 2009, and we purchased the rest of our power needs from Damodar Valley Corporation Limited and The Durgapur Projects Limited for our Durgapur facilities, DPSC Limited for our Ranigunj facility, Jharkhand Electricity Board for our Kandra facility and Chhattisgarh Electricity Board for our Durg facility. The price of electricity has varied significantly in the past several years and may vary significantly in the future largely as a result of market conditions and other factors beyond the control of steel companies, including significant increases in oil prices or natural gas.

Any rise in the transportation cost may in turn lead to a rise in our cost of production and may force us to retain a sizeable amount of working capital, which might affect our liquidity position. Although we plan to reduce our transportation costs by relying entirely on the rail networks, we cannot assure you that we will be able to implement our plan effectively. Any prolonged interruption in the supply of raw materials or energy, any mismatches between trends in prices for raw materials and steel, or any substantial increases in our costs that we are not able to pass on to customers, could adversely affect our business, financial condition, results of operations or prospects.

Any disruptions to electricity and water supplies could adversely affect our business.

We consume a significant amount of electricity and water in connection with our steel manufacturing operations, captive power generation and coal washing and we expect to do the same in connection with, our coal mining operations. As more of our plants or mines become operational, we expect our demand for electricity and water to increase. Any disruptions to or shortages in electricity or water supply could force us to shut down our plants or reduce our production and lead to increased costs related to recommencement of operations. Any disruptions to or shortages in electricity or water supply could adversely affect our business and results of operations.

Our insurance does not cover all of the risks we face, and the occurrence of events that are not covered by our insurance could cause us losses, which if significant, could adversely affect our financial condition.

Our facilities are vulnerable to operational risks, such as equipment failure, fire, facility obsolescence or disrepair, labour disputes, natural disasters and industrial accidents. The occurrence of any of these risks could affect our operations by causing production at one or more facilities to shutdown or slowdown.

Currently, we maintain insurance which we believe is typical in our industry and in amounts which we believe to be commercially appropriate. While we believe that we maintain adequate insurance, our business could nonetheless be adversely affected in the event of problems in our operations and our insurance coverage may not cover the extent of any claims against us, including for environmental or industrial accidents or pollution. Further, we cannot assure you that we will be able to continue to maintain insurance with adequate coverage for liability or risks arising from our operations on commercially acceptable terms, or at all. Even if the insurance is adequate, our costs may rise significantly due to increased insurance premiums. Depending on the development of the industry, certain potential liabilities may be excluded from coverage under the terms of our insurance policies in the future. For further details, see "Our Business – Insurance".

Some of our financing documents require us to obtain consents from our lenders for issuing further share capital, including for undertaking the Issue, which have not been obtained.

Under some of our financing documents, we require consents from the relevant lenders to undertake the Issue. As of the date hereof, consents from some of our lenders have not been granted for the Issue. We have however, intimated to the lenders of our intention to undertake the Issue. Undertaking the Issue or effecting any change in our capital structure, without lender consent constitutes a default by us under the relevant financing documents and will entitle the respective lenders to call a default against us, enforce remedies under the terms of the financing documents, that include, among other remedies, acceleration of repayment of the amounts outstanding under the financing documents, enforcement of the security interest created under the financing documents and taking possession of the secured assets.

A default by us under the terms of any financing document may also trigger a cross default under our other financing documents, or our any other agreements or instruments, containing a cross default provisions and which may individually or in aggregate, have an adverse effect on our business, results of operations, financial condition and credit rating. Such defaults may also result in a decline in the trading price of the Equity Shares and you may lose all or part of your investment.

We depend on the experience and skills of our management and certain key employees.

Our success highly depends on the retention of the principal members of our management personnel. Mr. Aditya Jajodia, our chairman and managing director, Mr. Sanjiv Jajodia, our whole-time director and Mr. Rajiv Jajodia, our director, have formulated our strategies and have been fundamental to our ability to execute our overall business strategy. In addition, we have employees with scientific or other specialised skills that are important to the successful development of our business. Except for our Promoters, the service agreements that we executed with our key management personnel do not contain any non-solicitation or non-competition provisions. Competition for senior and experienced management in the steel industry in India is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. If any of our key employees join a competitor, form a competing company or were unable or unwilling to continue in their present positions, we may not be able to replace such person with someone who has similar knowledge or experience, and our business and results of operations may be adversely affected.

Product liability claims against us could result in significant costs and may damage our reputation.

We may experience warranty and product liability claims. If our products do not meet the specifications of an order or those stipulated in an agreement, significant consequential damages could result from the use of our products. There can be no assurance that we will not be subject to damages or penalties resulting from product liability claims in the future. We currently do not maintain any product liability insurance cover. A successful product liability claim could have an adverse effect on our reputation and results of operations.

We have undertaken, and may undertake in the future, strategic acquisitions and joint ventures, which we may not be able to successfully integrate into our operations, which could have an adverse effect on our business, results of operations and financial condition.

We have in the past pursued, and may from time to time pursue acquisitions. In July 2007, we merged with Shri Ramrupai Balaji Steel Limited. On August 1, 2007, we successfully acquired the steel division of HEG Limited, by way of a scheme of arrangement sanctioned by an order of the High Court of Judicature at Calcutta. These acquisitions pose significant logistical and integration issues for us. In addition, we may, in the future, consider, making strategic acquisitions or investments in joint ventures of other companies or businesses whose resources, capabilities and strategies are complementary to and are likely to enhance our business operations. The anticipated benefits of our future acquisitions or investments may not materialise. Further, such activities could result in the incurrence of debt, contingent liabilities or amortisation expenses, or write-offs of goodwill, any of which could harm our financial condition. Future acquisitions or investments could also divert management’s time and focus from operating our business. In addition, integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties. Expenditures associated with integrating employees from the acquired company into our organisation and integrating each company’s accounting, management information, human resources and other administrative systems to permit effective management may be significant. Any one of more of these could adversely affect our results of operations and financial condition.

Our operations are concentrated in eastern India, and we are vulnerable to natural disasters or other events that could disrupt those operations.

Substantial parts of our operations are located in eastern India. We are therefore vulnerable to the effects of a natural disaster, such as an earthquake, flood or fire, or other calamity or event that disrupts our ability to conduct our business or that causes material damage to our property at this location. If any of our facilities are damaged or destroyed, it could be difficult for us to maintain or resume our operations in a timely manner in the event of a significant disaster at this facility. We cannot assure you that our insurance would be adequate to cover losses or damage to our assets.

Changes in technology may affect our business by making our equipment or plants less competitive or obsolete.

Our future success will partly depend on our ability to respond to technological advances taking place in the steel industry. The development and implementation of such technology entails significant technical and business risk. We cannot ensure you that we will successfully implement new technology effectively or adapt our processing system to emerging industry standards. If we are unable to adapt in timely manner to the changing market conditions because of any technical, financial, legal or other reasons, our business and results of operations could be adversely affected.

We have substantial existing debt and the agreements or instruments that we have executed with our lenders contain restrictive covenants, placing significant limitations on us.

As of June 30, 2009, we had Rs. 18,820.72 million of principal indebtedness outstanding on an unconsolidated basis. The agreements and instruments governing some of our existing indebtedness and the agreements we expect to enter into governing future indebtedness contain and are likely to contain covenants that, among other things, restrict our ability to:

- dispose of assets;
- effect any restructuring;
- change our capital structure or management team;
- incur additional indebtedness, including guarantees;
- prepay other indebtedness or amend other debt instruments;
- declare dividends or make investments, loans or advances;
- create liens on assets;
- enter into sale and leaseback transactions;
- engage in transactions with affiliates;
- undertake further expansion;
- engage in mergers, acquisitions or consolidations;
- change the business conducted by us; and
- engage in transactions with affiliates.

Our ability to meet scheduled payments relies on the cash flow generated by our businesses and our capital resources. Adverse developments in the Indian credit markets or a downgrade of our credit rating could increase our debt service costs and therefore the overall cost of our funds. If we are unable to meet our debt service obligations or to refinance our obligations with respect to our debt, our lenders could declare us in default under the terms of our loan agreements. Accordingly, we could therefore face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations, the proceeds of which are uncertain in any event.

In addition, these agreements and instruments contain and are likely to contain financial covenants such as a specified net worth to assets ratio requirement, leverage and interest coverage ratio requirements, and a maintenance of collateral requirement, as well as containing limitations on the amount of capital expenditures we can make. Failure to meet these conditions could lead to defaults or cross defaults, and therefore early repayments of outstanding indebtedness and termination of such agreements or instruments.

Any future issuance of equity shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of equity shares by us, such as a primary offering or pursuant to a preferential allotment, may dilute your shareholding in us, adversely affect the trading price of our equity shares and could affect our ability to raise capital through an issuance of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our equity shares.

Additionally, the disposal of equity shares by any of our major shareholders or the Promoters, any future issuance of equity shares by us or the perception that such issuances or sales may occur may significantly affect the trading price of the equity shares. There can be no assurance that we will not issue equity shares or that such shareholders will not dispose of, pledge or encumber their equity shares in the future.

We may not maintain historical dividends in the future.

While we have paid dividends in the past, there can be no guarantee as to whether we will continue to pay dividends in the future and, if so, the level of such future dividends. Our declaration, payment and amount of any future dividends is subject to the discretion of the Board, and will depend upon various factors, including our earnings, financial position, market comparables, cash requirements, and the provisions of relevant laws in India from time to time.

As of March 31, 2009, we had contingent liabilities not provided for as disclosed in our financial statements.

We periodically have contingent liabilities that we have not provided for, which include claims that we have not acknowledged as debts, letters of credit, bills discounted and bank guarantees outstanding, guarantees and counter guarantees given for loans obtained by NIPL and guarantees given to banks and financial institutions for financial assistance extended to Rohne Coal Company Private Limited, which is our subsidiary. If any of these contingent liabilities materialise, our profitability may be adversely affected. For further details on our contingent liabilities see “Financial Statements – Note 2 of Schedule 23”.

The Company's profit and loss data for the second quarter of the current fiscal year have not yet been finalised and are not yet available.

The Company is currently preparing its unaudited non-consolidated profit and loss data for the three months ended September 30, 2009 (the "Quarterly Financial Statements"), which are expected to be published on or before October 31, 2009. The financial condition and results of operations of the Company as disclosed in the Quarterly Financial Statements can be influenced by a number of internal and external factors, including but not limited to, market prices of our products, seasonality, exchange rates and interest rates. As at the date of this Placement Document and prior to the issue date of the Equity Shares, none of the Company, the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager have reviewed or will review the Quarterly Financial Statements or any other unaudited unconsolidated financial statements prepared by the Company since June 30, 2009. As such, none of the Company or the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager makes or can make any representation or gives or can give any assurance as to the results of operations of the Company as will be disclosed in the Quarterly Financial Statements. Furthermore, if the Quarterly Financial Statements do not disclose positive results for the Company, this could have a negative effect on the trading price of the Equity Shares.

The Promoters will have the ability to determine the outcome of any shareholder resolution.

After the completion of the Issue, the Promoters will own, directly and indirectly, approximately 50.75% of our outstanding equity shares. As a result, the Promoters will continue to exercise significant control over us, and all matters requiring shareholder approval, including election of directors, our business strategy and policies and approval of significant corporate transactions such as mergers and business combinations. The extent of their shareholding in us may also delay, prevent or deter a change in control, even if such transaction may be beneficial to our other shareholders. The interests of our Promoters and Promoter Group as our controlling shareholders could also conflict with our interest or the interests of our other shareholders. We cannot assure you that our Promoters and Promoter Group will act to resolve any conflicts of interest in our favour.

We have entered into, and will continue to enter into, related party transactions.

We have in the course of our business entered into transactions with related parties that include the Promoters and companies forming part of our Promoter Group. For more information regarding our related party transactions, see "Related Party Transactions" contained in its Financial Statements included in this Placement Document. Further, our business is expected to involve transactions with such related parties, in the future.

CVC International and Hudson Equity Holdings Limited, our substantial investors, may take actions that are not in our best interest or which may conflict with the interests of our shareholders.

As of June 30, 2009, CVC International and Hudson Equity Holdings Limited beneficially held 6,118,000 and 2,241,000 of our compulsorily convertible debentures with a face value of Rs.326.90 each, which were both convertible into an equivalent number of equity shares. On July 31, 2009, we issued 6,118,000 and 2,241,000 equity shares to CVC International and Hudson Equity Holdings Limited, respectively upon conversion of the compulsorily convertible debentures. These equity shares constituted 11.03% and 4.04% of our equity share capital on a fully diluted basis as of July 31, 2009, respectively. Under the investment agreements we entered into with CVC International on February 6, 2008 and Hudson Equity Holdings Limited on February 7, 2008, CVC International and Hudson Equity Holdings Limited are entitled to, among other rights, the following:

- CVC International and Hudson Equity Holdings Limited may each nominate, appoint to, and maintain a member on our Board, each of whom is entitled to be, at the option of CVC International and Hudson Equity Holdings Limited, a member of all the committees of our Board. In addition to the right to appoint a Board member, CVC International may appoint an observer; who has the right to attend all meetings of our Board and all committees of our Board without having any voting rights;

- each of CVC International's and Hudson Equity Holdings Limited's director or observer should be covered by director's and officer's liability insurance and indemnified to the full extent permissible under law;

- each of CVC International and Hudson Equity Holdings Limited must consent before we are permitted to provide more favourable rights than those given under the investment agreements with CVC International and Hudson Equity Holdings Limited to any new investor;

- each of CVC International and Hudson Equity Holdings Limited has the right to offer a certain portion of their shares for sale in any public offering of equity shares;

- each of CVC International and Hudson Equity Holdings Limited has tag-along rights in respect of the equity shares held by our Promoters and there are restrictions on the extent of further dilution by our Promoters;

- each of CVC International and Hudson Equity Holdings Limited has anti-dilution and pre-emptive rights, and must consent to any proposal to issue equity shares at a price lower than the price at which CVC International and Hudson Equity Holdings Limited subscribed to our equity shares, which was Rs.326.90 per equity share;

- each of CVC International and Hudson Equity Holdings Limited is permitted to sell its equity shares and its rights under the investor agreements, to any person, provided that CVC International may not transfer its shares to our competitors and, at any point of time, only one entity would be entitled to exercise each of the rights of CVC International and Hudson Equity Holdings Limited under each of the investor agreements; and

- each of CVC International and Hudson Equity Holdings Limited is entitled to the same rights as above in any of our current or future subsidiaries.

In addition to the above only CVC International has the following rights:

- reserved matters, such as mergers, acquisitions, joint ventures, borrowings, capital expenditures of more than Rs.150.00 million per annum in excess of the annual budget, issuances of new equity and related party transactions require the approval of majority of the non-Promoter directors (directors other than those appointed by or representing the Promoters and includes executive and whole time Directors appoint by the Company);

- for the meetings where such corporate actions are to be considered, at least 14 days' notice shall be given to the members of our Board, unless majority of the members of our Board, including the director appointed by CVC International, agree otherwise;

Further, under the investor agreements, CVC International and Hudson Equity Holdings Limited and their affiliates have the right to invest in or enter into collaborations or agreements or arrangements with our competitors. Conflicts of interest may arise between CVC International and/or Hudson Equity Holdings Limited and us, resulting in the conclusion of transactions on terms not determined by market forces. Any such conflict of interest could adversely affect our business, results of operations and financial condition. Although CVC International and Hudson Equity Holdings Limited have consented to and waived some of the above rights with respect to the Issue, we cannot assure you that they will support our future capital raising initiatives.

The current global market fluctuations and economic downturn could adversely affect our business, financial condition and results of operations.

The global capital and credit markets have been experiencing extreme volatility and disruption since 2008. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the mortgage market and the state of the residential real estate market in the United States and elsewhere have contributed to unprecedented levels of market volatility and weak investor sentiment for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events have led to a slowdown in the Indian economy. As a result, demand for our products may significantly decrease, thereby adversely affected our business, results of operations and financial condition.

Risks Associated with the Steel Industry

The steel industry is highly cyclical and volatile with varying prices and gross margins for each product. Our business is exposed to such volatility as a result of high fixed costs typical in the steel industry

Steel companies in India heavily depend on the domestic demand for iron and steel-related products, which is in turn affected by global economic conditions. The steel industry is historically cyclical and exhibits fluctuation in supply and demand from year to year and is subject to many factors beyond our control, including, but not limited to, the balance between global steel production and demand, raw material costs, exchange rates, capacity utilisation rates and trade barriers. For example, driven by increased steel consumption in developing countries, particularly China, and overall worldwide economic growth, steel prices hit their historical peak in 2008. Beginning in the late summer of 2008, growing fears of an economic downturn affected consumer confidence and reduced the intensity of demand for steel products. Although prices showed signs of stability in the first half of calendar year 2009, the timing and extent of price recovery or return to prior levels is hard to predict. An eventual rebound in steel prices will likely depend on a broad recovery from the current global economic downturn, although the length and nature of business cycles affecting the steel industry have historically been unpredictable.

The steel industry also supports cyclical industries such as the construction, automotive and energy industries. If any of these sectors experiences downturns, steel companies may experience a significant decline in demand for or excess supply of steel may cause the average selling prices or sales volumes of steel products to decrease. This is exacerbated by the susceptibility of the steel industry to price volatility, as steel manufacturers generally seek to maximise capacity utilisation of their manufacturing plants due to their high proportion of fixed costs to total costs. Consequently, the steel industry is generally unable to match steel production with supply and demand in the markets. These factors could have an adverse impact on the business and results of operations of steel companies.

The steel industry is highly competitive and is experiencing increased consolidation.

Steel manufacturers face competition from other steel manufacturing companies as well as from manufacturers of steel substitutes. A variety of known and unknown events could have an adverse impact on our ability to compete. For example, in many applications, steel products compete with other materials which could be used as steel substitutes, such as aluminium, cement, composites, glass, plastic and wood. Additional substitutes could significantly reduce market prices and demand for steel. In addition, factors such as changes in the level of marketing undertaken by competitors, governmental subsidies provided to foreign competitors, irrational market behaviour by competitors and the imposition of trade barriers, could have an adverse impact on our results of operations and business.

The steel manufacturing industry has been undergoing consolidation and numerous reforms in recent years. Notably, Arcelor S.A. merged with Mittal Steel in 2006 and formed Arcelor-Mittal which accounted for 7.6% of the world’s crude steel production in 2008 (Source: World Steel Association). Due to economies of scale, Arcelor Mittal, along with other major steel producers, such as Nippon Steel Corporation, Baosteel Group, Hebei Steel Group, JFE Steel Corporation and POSCO may have a competitive advantage and better bargaining power than us. Competitors may, whether through consolidation or growth, present more credible integrated and/or lower cost solutions than we do. If this trend of consolidation continues, we could be placed in a disadvantageous position and our results of operations and business could be adversely affected.

Growing demand for steel products in developing economies may result in worldwide over-capacity and falling steel prices.

Due to a large number of infrastructure projects undertaken by developing countries, such as China and India, steel consumption in these countries has increased rapidly over the last several years. Steel companies have responded by increasing steel production capacities in these countries, resulting in a significant increase in steel production. In 2006, China became a net exporter of steel. Such excess capacity has put downward pressure on steel prices in the U.S. and European markets. This has led to substantial price decreases during periods of economic weakness that have not been offset by commensurate price increases during periods of economic strength. In India, many steel producers have already announced plans or intend to increase their steel manufacturing capacities. If the enhanced capacity is not accompanied by an increased demand, the supply-demand imbalances will eventually lead to a drop in overall steel prices and therefore have an adverse impact on our results of operations and financial condition. Excess capacity will intensify price competition and could force steel companies to reduce the prices of their products. As a result, any excess capacity may have an adverse effect on business, financial condition, results of operations or prospects of steel companies.

If the Government intervenes in determining the price of steel in India, the prices that we are able to receive for our steel products may decline.

The Ministry of Steel is responsible for coordinating and planning the growth and development of the iron and steel industry in India (including re-rolling mills, alloy steel and ferro alloy industries and refractories), formulating policies in respect of production, pricing, distribution, import and export of iron and steel, ferro alloys and refractories, and developing input industries in relation to iron ore, manganese ore, chrome ore and refractories, which are required mainly by the steel industry. Prior to 1992, the Ministry of Steel controlled the price that steel producers could charge for steel. Although the Indian steel industry is deregulated and steel prices in India are generally determined by market forces, there is no assurance that the Government of India will not reinstitute price controls in the future. If the Ministry of Steel imposes price control for steel products, the prices that we are able to receive for our steel products may decline and our results of operations and financial condition could be adversely affected.

Unfair practices in steel trade and protective trade restrictions, including anti-dumping laws, countervailing duties and tariffs, could affect steel prices and reduce our profitability.

We are exposed to the effects of "dumping" and other unfair trade and pricing practices by competitors. Conversely, we are also affected by protectionist regulations, including anti-dumping laws, countervailing duties and tariffs and quotas adopted by governments in some of our export markets, which could adversely affect our sales. Quotas and tariffs are often driven by local political pressure and therefore there is no assurance that we will not have stringent quotas or tariffs imposed upon us in the future. Various countries have in the past instituted, or are currently contemplating the institution of, trade actions and barriers. We cannot predict the timing and nature of similar or other trade actions. Any unfair practices adopted by our competitors or any trade restrictions imposed by any country in which we sell, or have the potential to sell, our products could lead to a decrease in our exports or an increase in steel imports to India and could have a negative impact on our results of operations and financial condition.

Risks Associated with India and this Issue

Our growth is dependant on the Indian economy.

Our performance and the growth of our business is dependant on the performance of the Indian economy. India's economy could be adversely affected by a general increase in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. A slow down in the Indian economy could adversely affect our business, including our ability to implement our strategy. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon our business. Conditions outside India, such as slow downs in the economic growth of other countries or increases in the price of oil, have an impact on the growth of the Indian economy, and government policy may change in response to such conditions. While recent governments have been keen on encouraging private participation in the industrial sector, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Any downturn in the macroeconomic environment in India or in the steel sector could adversely affect the price of our equity shares, our business and our results of operations.

We are subject to various Indian taxes and also receive certain tax benefits and incentive schemes offered by the Government and the government of West Bengal. Our profitability may be reduced due to any adverse changes in general tax policies or incentive schemes or if tax benefits are reduced or withdrawn.

Taxes and other levies imposed by the Government or the government of West Bengal that may affect the steel sector include customs duties, electricity duty, entry tax, income tax and other levies.

We currently enjoy certain tax exemptions and deductions, which are applicable to companies in the steel manufacturing sector. We also enjoy various subsidies under the West Bengal Incentive Scheme, 2000 and 2004. Some of these exemptions and deductions are only available for a limited duration. The loss of these benefits would increase our tax obligations and have an adverse effect on our after tax profits and cash flow.

For more details on the direct taxes, see the section titled "Taxation".

Political instability or changes in the Government could delay the liberalisation of the Indian economy and adversely affect conditions in India generally.

We generated substantially all of our income in India. Our business, and the market price and liquidity of the Equity Shares, are therefore directly affected by the Indian market, which in turn may be affected by foreign exchange rates and controls, interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian Governments have pursued policies of economic liberalisation. The roles of the Government of India and the state governments in the Indian economy as producers, consumers and regulators have remained significant. We cannot assure you that the liberalisation policies announced by the Government in the past will continue in the future. The current Government of India is a coalition of several parties, and the withdrawal of one or more parties could cause instability. The rate of economic liberalisation could change, and specific laws and policies affecting the power sector, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Parliamentary elections have recently concluded in India, there can be no assurance that the next Government will follow the same economic liberalisation principles. Any change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally.

Any downgrading of India's debt rating by an international rating agency could negatively affect our business.

Any downward revisions to India's credit ratings for domestic and international debt by international credit rating agencies may adversely affect our ability to raise additional financing. Such revisions could also affect the interest rates and other commercial terms on which such additional financing is available. This could have an adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of the Equity Shares.

Depreciation of the Rupee against foreign currencies may have an adverse effect on our results of operations.

Our foreign currency borrowings are denominated principally in Euros, while substantially all of our revenues are denominated in Rupees. As of June 30, 2009, the Company had long-term foreign currency borrowings of Rs. 886.37 million, which was attributable to a loan we have taken for the development of our ductile pipe plant. Accordingly, any depreciation of the Rupee against this currency, or any other foreign currencies in which our future loans are denominated, will increase the Rupee cost to us of servicing and repaying our foreign currency borrowings.

Economic developments and volatility in securities markets in other countries may cause the price of our equity shares to decline.

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

The extent and reliability of Indian infrastructure could adversely affect our results of operations and financial condition.

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure could harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have an adverse effect on our results of operations and financial condition.

Our ability to raise foreign capital may be constrained by Indian law.

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

If more stringent labour laws or other industry standards in the jurisdictions in which we operate become applicable to us, our profitability may be adversely affected.

We are subject to a number of stringent labour laws and restrictive contractual covenants related to levels of employment. India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. We are also subject to certain industry standards regarding our employees, particularly with regard to overtime and transportation of employees. Our employees may also in the future form unions. If labour laws or industry standards become more stringent or are more strictly enforced or if our employees unionise, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have an adverse effect on our business, results of operations, financial condition and cash flows.

Force majeure events, terrorist attacks or war or conflicts involving India, the United States or other countries could adversely affect the financial markets and adversely affect our business.

Any major hostilities involving India, or other acts of violence including civil unrest or terrorist attacks, or events that are beyond our control, could have an adverse effect on the operations of services provided in India. The terrorist attacks on New York and Washington, D.C. on September 11, 2001, and their aftermath had an adverse effect on worldwide financial markets. Incidents such as the Jakarta terrorist attacks on July 17, 2009, Mumbai terrorist attacks in November 2008, other recent incidents such as in India, Bali, Indonesia, Madrid, Spain and London, England, and other acts of violence may adversely affect global equity markets as well as the Indian economy and stock markets where our equity shares trade. Such acts will negatively affect business sentiment as well as trade between countries, which could adversely affect our business and profitability.

Also, India may enter into armed conflict or war with other countries. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Military activity or terrorist attacks could adversely affect the Indian economy by disrupting communications and making travel more difficult. Such events could also create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have an adverse effect on the market for securities of Indian companies, including the equity shares, and on the market for our services.

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

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their effect on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our equity shares.

The Indian economy has had sustained periods of high inflation.

The majority of our direct costs are incurred in India. India has experienced very high levels of inflation during the period between 2008 and 2009, with inflation peaking at 12.91% in August 2008. However, as on July 11, 2009 inflation has fallen to as low as -1.21% according to the RBI. In the event of a high rate of inflation, our costs, such as salaries, travel costs and related allowances, which are typically linked to general price level, may increase. However, we may not be able to increase the tariffs that we charge for our products and our services sufficiently to preserve operating margins. Accordingly, high rates of inflation in India could increase our employee costs and decrease our operating margins, which could have an adverse effect on our results of operations.

There may not be an active or liquid market for our Equity Shares, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.

The offer price of the Equity Shares in this Issue will be determined by us in consultation with the Joint Book Runners and Global Coordinators based on the Bids received in compliance with Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 issued by SEBI, as amended from time to time, including instructions and clarifications issued by SEBI from time to time, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. You may be unable to resell your Equity Shares at or above the offer price and, as a result, you may lose all or part of your investment. The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

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

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our operating performance or prospects.

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

The Indian securities markets may be more volatile than the securities markets in other countries. Stock exchanges in India have, in the past, experienced substantial fluctuations in the prices of listed securities. Stock exchanges in India have experienced problems, including broker defaults and settlement delays, which, if they were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. In addition, the governing bodies of the various Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

There are restrictions on daily movements in the price of the equity shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, equity shares at a particular point in time.

We are subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the equity shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The maximum movement allowed in the price of our shares before the circuit breaker is triggered is determined by the stock exchanges based on the historical volatility in the price and trading volume of the equity shares.

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

A third party could be prevented from acquiring control of us because of the anti-takeover provisions under Indian law.

There are provisions in Indian law that may discourage a third party from attempting to take control over us, even if a change in control would result in the purchase of your Equity Shares at a premium to the market price or would otherwise be beneficial to you. Under the takeover regulations an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control of us. See "The Securities Market of India – Takeover Code".

An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have an adverse effect on our business and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities, which could have an adverse effect on our business. The new H1N1 virus have, and is continuing to, caused illness, hospitalizations and deaths in countries all over the world. Despite the global effort in reducing the impact of the H1N1 influenza pandemic, its future evolution remains an uncertainty. The outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia and the outbreak of avian influenza and H1N1 influenza have adversely affected a number of countries and companies including us. We can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have an adverse effect on our business.

You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in this Issue.

In-principle approval has been received for the Equity Shares to be listed on the Indian Stock Exchanges. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the allotment is made. Thereafter, upon receipt of final approval of the Stock Exchanges (if granted), trading in the Equity Shares is expected to commence within seven working days. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to such investors' demat account, or that trading will commence, within the time periods specified above.

There is no guarantee that the Equity Shares will be listed on the Stock Exchanges in a timely manner, or at all, and any trading closures at any of the Stock Exchanges may adversely affect the trading price of the Equity Shares.

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

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

Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar.

Our reformatted financial statements included in this Placement Document are prepared in accordance with the SEBI Regulations and the (Revised) Guidance Note on Reports in Company Prospectuses Issued by the Institute of Chartered Accountants of India. Our reformatted financial statements are extracted from our audited consolidated financial statements as of and for the years ended March 31, 2009, 2008 and in case of 2007 from non consolidated financial statements, prepared in accordance with Indian GAAP. Indian GAAP differ in certain significant respects from IFRS and other accounting principles and auditing standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our Financial Statements to IFRS or a summary of principal differences between Indian GAAP and IFRS relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS as may be applied to our Financial Statements. As there are significant differences between Indian GAAP and IFRS, there may be substantial differences in the results of operations, cash flows and financial positions discussed in this Placement Document, if the relevant Financial Statements were prepared in accordance with IFRS. The significant accounting policies applied in the preparation of our Financial Statements are as set forth in notes to the Financial Statements included in this Placement Document. Prospective investors should review the accounting policies applied in the preparation of these Financial Statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and how they might affect the financial information contained in this Placement Document.

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

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

Currency exchange rate fluctuations may affect the value of our Equity Shares.

The exchange rate between the Indian Rupee and the U.S. Dollar has changed substantially in recent years and may fluctuate substantially in the future. Fluctuations in the exchange rate between the U.S. Dollar and the Indian Rupee may affect the value of your investment in the Equity Shares. Specifically, if there is a change in relative value of the Indian Rupee to the U.S. Dollar, each of the following values will also be affected:

- the U.S. Dollar equivalent of the Indian Rupee trading price of our Equity Shares in India;
- the U.S. Dollar equivalent of the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- the U.S. Dollar equivalent of cash dividends, if any, on our Equity Shares, which will be paid only in Indian Rupees.

You may be unable to convert Indian Rupee proceeds into foreign currencies or the rate at which any such conversion could occur could fluctuate. In addition, our market valuation could be seriously harmed by the devaluation of the Indian Rupee, if non-Indian investors analyse our value based on the foreign currency equivalent of our financial condition and results of operations.

You may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the Securities Transaction Tax ("**STT**") has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which Equity Shares are sold. Any gain realised on the sale of Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. For more information, see "Taxation" in this Placement Document.

Capital gains arising from the sale of the Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, including those with the United States, do not limit India's ability to impose tax on capital gains. As a result, residents of countries such as the United States may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares. For more information, see "Taxation".

MARKET PRICE INFORMATION

Our Shares have been listed on the BSE since June 02, 2008, on the NSE since December 09, 2003 and on the CSE since December 05, 2003. The NSE is the principal stock exchange of the Company for regulatory purposes. In the year ended March 31, 2009, the BSE and the NSE together accounted for 100% in volume of trades in the Shares.

The table set forth below is for the periods that indicate the high and low prices of the Shares and also the volume of trading activity. On October 23, 2009, the closing price of the Shares on the BSE was Rs. 276.05 per share and on the NSE was Rs. 271.95 per Share (equity share of face value Rs. 10 per share).

Note: As there is no or insignificant trading on the CSE, price statistics are disclosed only for the BSE and the NSE and not for the CSE.

(a) The high, low and average market prices of the Shares during the preceding three years:

BSE							
Year ending March 31	**Date of High**	**High (Rs.)**	**Volume on date of high (no. of Shares)**	**Date of low**	**Low (Rs.)**	**Volume on date of low (no. of Shares)**	**Average (Rs.)**
2007	March 29, 2007	60.00	5,920	December 29, 2006	47.00	534	53.50
2008	January 07, 2008	641.50	84,976	April 10, 2007	59.25	395	350.38
2009	May 07, 2008	404.05	25,497	October 29, 2008	46.15	6,448	225.10

(Source: www.bseindia.com)

NSE							
Year ending March 31	**Date of High**	**High (Rs.)**	**Volume on date of high (no. of Shares)**	**Date of low**	**Low (Rs.)**	**Volume on date of low (no. of Shares)**	**Average (Rs.)**
2007	March 30, 2007	61.20	7,551	June 14, 2006	33.75	3,763	47.48
2008	January 07, 2008	641.85	72,215	April 10, 2007	59.10	2,364	350.48
2009	May 07, 2008	406.00	45,157	October 29, 2008	45.80	16,220	225.90

(Source: www.nseindia.com)

Notes:

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

(b) Monthly high and low prices on the BSE and the NSE for the six months preceding the date of filing of this Placement Document:

BSE							
Month (2009)	**Date of High**	**High (Rs.)**	**Volume on date of high (no. of Shares)**	**Date of low**	**Low (Rs.)**	**Volume on date of low (no. of Shares)**	**Average (Rs.)**
September	September 30, 2009	237.75	5,655	September 3, 2009	215.05	1,368	226.40
August	August 24, 2009	220.00	8,524	August 12, 2009	200.35	3,643	210.18
July	July 24, 2009	226.90	5,918	July 02, 2009	161.50	1,539	194.20
June	June 15, 2009	189.60	16,526	June 18, 2009	157.00	4,040	173.30
May	May 29, 2009	166.80	17,207	May 04, 2009	104.60	2,376	135.70
April	April 15, 2009	130.55	26,527	April 01, 2009	82.15	740	106.35

(Source: www.bseindia.com)

NSE							
Month (2009)	**Date of High**	**High (Rs.)**	**Volume on date of high (no. of Shares)**	**Date of low**	**Low (Rs.)**	**Volume on date of low (no. of Shares)**	**Average (Rs.)**
September	September 30, 2009	236.45	83,503	September 3, 2009	215.85	26,870	226.15
August	August 24, 2009	222.10	32,906	August 12, 2009	200.95	20,796	211.53
July	July 24, 2009	224.85	25,528	July 02, 2009	161.60	3,671	193.23
June	June 15, 2009	190.25	51,184	June 18, 2009	157.25	11,969	173.75
May	May 29, 2009	168.35	41,830	May 04, 2009	103.15	4,251	135.75
April	April 15, 2009	130.10	80,138	April 01, 2009	82.50	11,513	106.30

(Source: www.nseindia.com

Notes:

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

(c) The following tables set forth the details of the number of Shares and the volume of business transacted during the last six months and the last three financial years on the BSE and the NSE:

Period	**No. of Shares**		**Volume (Rs. Million)**	
	BSE	**NSE**	**BSE**	**NSE**
September, 2009	126,138	809,964	29.38	186.63
August, 2009	127,189	433,926	26.84	92.58
July, 2009	331,407	950,528	69.72	201.61
June, 2009	132,443	308,968	23.14	54.29
May, 2009	99,927	275,155	14.30	39.05
April, 2009	85,731	259,343	9.80	28.67
2009	1,974,509	4,567,309	383.25	6,87.65
2008	4,281,459	5,327,324	1,511.84	1,797.08
2007	237,741	5,893,314	12.30	311.59

(Sources: www.bseindia.com and www.nseindia.com)

(d) The following table sets forth the market price on the BSE and the NSE on July 01, 2009, the first working day following the approval of the Board of Directors for the Issue:

Price of Shares (Rs.)							
BSE				**NSE**			
Open	**High**	**Low**	**Close**	**Open**	**High**	**Low**	**Close**
162	164	156	161.60	162	164	155.05	162.75

(Sources: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. 1,985.13 million. After deducting the Issue expenses of approximately Rs. 82.36 million, the net proceeds of the Issue will be approximately Rs. 1902.77 million.

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the Issue primarily for capital expenditure, additional working capital requirements, repayment of existing loans (in part or in full) and to finance new business initiatives, projects and strategic alliances either directly or through subsidiaries and for other general corporate requirements.

In accordance with the decision of our Board of Directors, our management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the proceeds in instruments that we deem creditworthy, including money market mutual funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies approved by the Board from time to time.

CAPITALISATION

The following table sets forth our consolidated capitalisation and total debt as of March 31, 2009 and as adjusted to give effect to the Issue. Investors should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation", our unaudited non-consolidated financial statements as of June 30, 2009 and the notes thereto and the other financial information contained elsewhere in this Placement Document.

	As at March 31, 2009	
	Actual *(Rs. Million)*	**As Adjusted for the Issue** *(Rs. Million)*
Loan funds		
Secured loans	15,385.89	15,385.89
Unsecured loans	2,801.03	2,801.03
Total debt	18,186.92	18,186.92
Shareholders' Funds		
Total share capital:		
Equity shares par value Rs.10 each:		
101,000,000 shares authorised;	1,010.00	1,010.00
47,126,900 shares subscribed and outstanding (net of calls-in-arrears)	471.15	554.11
Application money towards equity warrants	617.84	617.84
Preference share application money	0.29	0.29
Share premium	157.52	1,977.34
Other Reserves (excluding revaluation reserve)	3,248.04	3,248.04
Revaluation reserve	-	
Less: Deferred Revenue expenditure & Accumulated Loss	-	
Total shareholders' funds	4,494.84	6,397.61
Total capitalisation	22,681.76	24,584.53

Notes:

(1) *Application money received towards equity warrants issued stands forfeited and transferred to "Other reserves (excluding revaluation reserve")". See note 6 below of notes to "Capitalisation" table.*

(2) *Unsecured loans include Rs. 2732.56 million for zero coupon compulsorily convertible debentures which were converted to equity shares of the Company on July 31, 2009.*

(3) *Except as disclosed in this Placement Document, there has been no material change to the capitalisation of the Company since March 31, 2009.*

(4) *On July 31, 2009 in accordance with the terms of the CVC Investment Agreement and pursuant to the resolution of the Board dated July 31, 2009, the Company converted 6,118,000 CVC CCDs into 6,118,000 Equity Shares, amounting to 11.03% of the issued and paid-up equity share capital of the Company.*

(5) *On July 31, 2009 in accordance with the terms of the Hudson Investment Agreement and pursuant to the resolution of the Board dated July 31, 2009, the Company converted 2,241,000 Hudson CCDs into 2,241,000 Equity Shares, amounting to 4.04% of the issued and paid-up equity share capital of the Company.*

(6) *Pursuant to the special resolution of the shareholders at an extraordinary general meeting of the Company dated January 10, 2008 and the subsequent resolution of the Board dated February 07, 2008, 300,000 warrants convertible into 300,000 Equity Shares were issued and allotted to Sai Prasad Multitrade Private Limited, and an aggregate of 9,300,000 warrants convertible into 9,300,000 Equity Shares were issued and allotted to Enfield Suppliers Limited, Hari Management Limited, Aditya Jajodia, Sanjiv Jajodia, Rajiv Jajodia, Aashish Jajodia, Rina Jajodia, Sangeeta Jajodia, Devendra Prasad Jajodia, Seema Jajodia, Kanchan Jajodia, Gaurav Jajodia and Shashi Jajodia. On August 06, 2009, all of the above 9,600,000 warrants lapsed and the option for conversion to Equity Shares expired and pursuant to resolution of the Board dated August 11, 2009 the said warrants were cancelled.*

(7) *Share premium as "Adjusted for the Issue" is net of the approximate issue expenses related with the Issue.*

(8) *Total number of shares subscribed and outstanding as "Adjusted for the Issue" as on October 23, 2009 (after conversion of CVC CCDs and Hudson CCDs) is 63,781,486.00.*

DIVIDENDS AND DIVIDEND POLICY

We generally declare and pay dividends in the fiscal year following the year as to which they relate. Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both.

The table below sets forth the details of the dividends declared by the Company on our Equity Shares during the last three fiscal years:

For the financial year ended March 31	No. of Shares entitled to dividends	Dividend per Equity Share (Rs.)	Total (Rs.)
2009	5,54,85,900	0.40	22,194,360.00
2008	4,71,26,900	1.00	47,126,900.00
2007	4,71,26,900	0.85	40,057,865.00
2006	2,51,26,900	1.25	31,408,625.00

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of the Company or dividend amounts, if any, in the future.

SELECTED FINANCIAL DATA

The table below contains extracts from, and should be read together with notes and auditor's report on, our Company's audited financial statements for the year ended March 31, 2007 under Indian GAAP and the Companies Act, 1956 , and its audited consolidated financial statements for the years ended March 31, 2008 and 2009 under Indian GAAP and the Companies Act, 1956, and unaudited unconsolidated financial statements for the three month period ended June 30, 2009 under Indian GAAP and the Companies Act, 1956, and the related notes thereto included elsewhere in this Placement Document. The following information should also be read in conjunction with the section of this Placement Document "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NON-CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2009		
	As at June 30, 2009	**As at March 31, 2009**
	(Rs. Millions)	
SOURCES OF FUNDS		
A. Shareholders' Fund:		
a) Share Capital	471.15	471.15
b) Application Money towards Equity warrants	617.84	617.84
(Refer Note 6 (a) on Schedule 22)		
c) Reserves and Surplus	3,012.53	3,071.85
B. Loan Funds :		
a) Secured Loans	16,019.69	15,036.65
b) Unsecured Loans	2,801.03	2,801.03
C. Deferred Tax Liabilities (Net)	740.01	748.19
TOTAL	23,662.25	22,746.71
APPLICATION OF FUNDS		
A. Fixed Assets:		
a) Gross Block	13,329.81	13,360.23
b) Less : Accumulated Depreciation / Amortisation	1,540.61	1,371.72
c) Net Block	11,789.20	11,988.51
d) Capital Work in Progress and	3,687.36	3,169.32
Pre-operative Expenditure Pending Allocation		
	15,476.56	15,157.83
B. Investments	516.22	516.22
C 1. Current Assets, Loans and Advances		
a) Inventories	4,446.97	4,553.55
b) Sundry Debtors	3,198.79	2,590.90
c) Cash and Bank Balances	624.77	197.75
d) Loans and Advances	3,064.80	2,876.60
	11,335.33	10,218.80
C 2. Less: Current Liabilities and Provisions		
a) Current Liabilities	3,619.00	3,102.99
b) Provisions	46.86	43.15
	3,665.86	3,146.14
Net Current Assets	7,669.47	7,072.66
TOTAL	23,662.25	22,746.71

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED JUNE 30, 2009	
	Apr - Jun 09
	(Rs. Millions)
INCOME	
Sales and Services (Gross)	5,036.05
Less: Excise Duty	459.74
Sales and Services (Net)	4,576.31
Other Income	63.72
TOTAL	4,640.03
EXPENDITURE	
Decrease in Stocks	89.07
Excise Duty and Cess on Stocks	(38.11)
(Refer Note 9 on Schedule 22)	
Raw Materials Consumed	3,117.38
Purchase of Trading Goods	0.48
Manufacturing Expenses	759.11
Personnel Cost	100.80
Selling, Distribution and Administrative Expenses	100.98
Prior Period Expenditure (Net)	6.24

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED JUNE 30, 2009	
	Apr - Jun 09
	(Rs. Millions)
Interest and Finance Charges	369.12
Depreciation / Amortisation	171.26
TOTAL	4,676.33
Profit / (Loss) before Tax	(36.30)
Add / (Less):	
Current Tax	0.08
[Including Rs.0.08 million for earlier years]	
MAT Credit Entitlement	-
Deferred Tax Credit	(8.18)
Fringe Benefit Tax	0.65
Total Tax Expenses (Net)	(7.45)
Profit / (Loss) after Tax	(28.85)
Add: Balance Brought Forward From Previous Year	1,388.35
Balance carried to Balance Sheet	1,359.50
Earning Per Share (Nominal Value per share Rs. 10)	
Basic and Diluted (Rs.)	(0.61)

REFORMATTED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009 AND MARCH 31, 2008		
	As at March 31, 2009	**As at March 31, 2008**
	(Rs. Millions)	
SOURCES OF FUNDS		
A. Shareholders' Fund:		
a) Share Capital	471.15	471.15
b) Application Money towards Equity warrants	617.84	617.84
c) Preference Share Application Money	0.29	-
d) Reserves and Surplus	3,405.56	3,385.55
B. Loan Funds :		
a) Secured Loans	15,385.89	11,090.07
b) Unsecured Loans	2,801.03	3,379.49
C. Deferred Tax Liabilities (Net)	771.87	696.54
TOTAL	23,453.63	19,640.64
APPLICATION OF FUNDS		
A. Fixed Assets:		
a) Gross Block	14,118.51	9,869.98
b) Less : Accumulated Depreciation / Amortisation	1,512.07	967.36
c) Net Block	12,606.44	8,902.62
d) Capital Work in Progress and	3,207.44	3,002.56
Pre-operative Expenditure Pending Allocation		
	15,813.88	11,905.18
B. Investments	36.71	38.09
C 1. Current Assets, Loans and Advances		
a) Inventories	5,305.01	4,746.55
b) Sundry Debtors	2,626.41	2,115.27
c) Cash and Bank Balances	224.63	212.77
d) Loans and Advances	2,749.89	3,603.24
	10,905.94	10,677.83
C 2. Less: Current Liabilities and Provisions		
a) Current Liabilities	3,258.10	2,858.72
b) Provisions	44.80	121.74
	3,302.90	2,980.46
Net Current Assets	7,603.04	7,697.37
D. Miscellaneous Expenditure (to the extent not written off or adjusted)	-	-
TOTAL	23,453.63	19,640.64

REFORMATTED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009 AND MARCH 31, 2008				
		2008-09		**2007-08**
		(Rs. Millions)		
INCOME				
Sales and Services (Gross)		18,953.42		15,069.23
Less: Excise Duty		1,774.04		1,794.53
Sales and Services (Net)		17,179.38		13,274.70
Other Income		315.98		565.85
TOTAL		17,495.36		13,840.55
EXPENDITURE				
(Increase) / Decrease in Stocks		649.48		(921.25)
Excise Duty and Cess on Stocks		(136.98)		133.30
Raw Materials Consumed		11,142.30		6,954.71
Purchase of Trading Goods		720.07		2,565.67
Manufacturing Expenses		2,196.24		1,498.44
Personnel Cost		330.69		189.43
Selling, Distribution and Administrative Expenses		611.43		465.40
Prior Period Expenditure (Net)		7.17		9.69
Interest and Finance Charges		1,323.55		1,109.33
Depreciation / Amortisation	546.29		448.81	
Less : Transfer from Capital Reserve	4.98	541.31	1.24	447.57
TOTAL		17,385.26		12,452.29
Profit Before Tax		110.10		1,388.26
Less:				
Current Tax		25.85		200.66
[Including Rs.13.66 million (Rs.3.58 million) for earlier years]				
MAT Credit Entitlement		(12.19)		(109.37)
Deferred Tax Charge		75.33		88.78
Fringe Benefit Tax		2.73		2.32
Total Tax Expenses (Net)		91.72		182.39
Profit after Tax		18.38		1,205.87
Add: Share of Profit of Associate Company		-		10.93
Consolidated Profit		18.38		1,216.80
Add: Balance Brought Forward From Previous Year		1,429.16		1,267.50
Profit Available for Appropriation		1,447.54		2,484.30
Appropriations				
Proposed Dividend		22.19		47.13
Tax on Dividend		3.77		8.01
Transfer to General Reserve		-		1,000.00
Balance in Profit and Loss Account		1,421.58		1,429.16
		1,447.54		2,484.30

REFORMATTED BALANCE SHEET AS AT MARCH 31, 2007	
	As at March 31, 2007
	(Rs. Millions)
SOURCES OF FUNDS	
A. Shareholders' Fund	
a) Share Capital	251.12
b) Share Capital Suspense	220.00
c) Reserves and Surplus	1,987.79
B. Loan Funds	
a) Secured Loans	5,794.75
b) Unsecured Loans	877.77
C. Deferred Tax Liabilities (Net)	630.39
TOTAL	9,761.82
APPLICATION OF FUNDS	
A. Fixed Assets:	
a) Gross Block	6,045.68
b) Less : Accumulated Depreciation / Amortisation	430.10
c) Net Block	5,615.58
d) Capital Work in Progress and	476.80

REFORMATTED BALANCE SHEET AS AT MARCH 31, 2007	As at March 31, 2007 *(Rs. Millions)*
Pre-operative Expenditure Pending Allocation	
	6,092.38
B. Investments	1.95
C 1. Current Assets, Loans and Advances	
a) Inventories	2,170.91
b) Sundry Debtors	2,235.12
c) Cash and Bank Balances	256.41
d) Loans and Advances	498.16
	5,160.60
C 2. Less: Current Liabilities and Provisions	
a) Current Liabilities	1,447.47
b) Provisions	65.19
	1,512.66
Net Current Assets	3,647.94
D. Miscellaneous Expenditure	19.55
(To the extent not written off / adjusted)	
TOTAL	9,761.82

REFORMATTED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2007	2006-07 *(Rs. Millions)*
INCOME	
Sales and Services	11,054.21
Less: Excise Duty	866.30
	10,187.91
Other Income	199.94
TOTAL	10,387.85
EXPENDITURE	
(Increase) / Decrease in Stocks	(92.94)
Excise Duty & Cess on Stocks	18.45
(Refer Note 9 on Schedule 23)	
Raw Materials Consumed	4,036.73
Purchase of Trading Goods	3,413.43
Manufacturing Expenses	1,278.71
Personnel Cost	63.93
Selling, Distribution and Administrative Expenses	123.03
Prior Period Expenditure	(2.77)
Interest and Finance Charges	354.14
Depreciation / Amortisation	234.17
TOTAL	9,426.88
Profit Before Tax	960.97
Less:	
Current Tax	81.24
[Including Rs.1.08 millions for earlier years]	
MAT Credit Entitlement	(5.67)
Deferred Tax Charge	262.57
Fringe Benefit Tax	1.12
Total Tax Expenses (Net)	339.26
Profit after Tax	621.71
Add: Balance Brought Forward From Previous Year	712.65
Profit Available for Appropriation	1,334.35
Appropriations	
Proposed Dividend	40.06
Tax on Dividend	6.81
Transfer to General Reserve	20.00
Balance in Profit and Loss Account	1,267.49
	1,334.35

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited financial statements for the year ended March 31, 2007, our audited consolidated financial statements for the years ended March 31, 2008 and 2009 and our unaudited unconsolidated financial statements for the three month period ended June 30, 2009, including the notes thereto and reports thereon, this Placement Document, includes reformatted financial statements for the year ended March 31 2007, 2008 and 2009, which have been extracted from the respective audited financial statements as stated above and the unaudited unconsolidated financial statements for the three month period ended June 30, 2009, each included in this Placement Document. You should also read the sections titled "Risk Factors" and "Forward Looking Statements" included in this Placement Document which discuss a number of factors and contingencies that could affect our financial condition and results of operations. The financial statements included in this Placement Document are prepared in accordance with Indian GAAP, which differ in certain material respects from IFRS.

Our 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.

Overview

We are the flagship company of the Jai Balaji Group of companies. We were incorporated on July 1, 1999 and have a presence across the entire value chain of steel manufacturing, from processing iron ore and coal, to producing and distributing finished products. We were promoted by Mr. Sanjiv Jajodia, Mr. Aditya Jajodia and Mr. Rajiv Jajodia, who had entered into the steel manufacturing business by acquiring Chandi Steel Industries Private Limited in 1991. We started as a sponge iron manufacturer in the calendar year 2000 and have since diversified our portfolio of products at our facilities to become an integrated steel manufacturing company. According to the West Bengal Sponge Iron Manufacturers Association, as of August 2009, we are the largest private sector sponge iron manufacturer and one of the largest integrated steel producers in West Bengal.

The Company was incorporated as a private limited company under the name Jai Balaji Sponge Private Limited, and was converted to a public limited company in 2002. We set up our first sponge iron kiln, which had a daily capacity of 50 MT, in April 2000. We undertook an initial public offering in October 2003 and our equity shares were listed on the CSE and the NSE. In July 2007, we undertook a merger with another member of the Jai Balaji Group of companies, Shri Ramrupai Balaji Steels Limited, which was then listed on the BSE and the NSE. The merger took effect from April 1, 2006, and we changed our name to Jai Balaji Industries Limited. Our equity shares are now listed on the BSE, the NSE and the CSE. During fiscal 2008, we acquired the steel division of HEG Limited in Chhattisgarh and 100.0% of the shareholding of Nilachal Iron & Power Limited ("**NIPL**") in Jharkhand. We had consolidated total income of Rs.17,495.35 million and Rs.13,840.54 million in fiscal 2009 and fiscal 2008, respectively.

We offer a chain of value-added products including sponge iron, pig iron, TMT bars, alloy, non-alloy and mild steel ("**MS**") billets and ferro alloys. The following table illustrates our gross sales and services income for our products for the periods indicated:

Products	Fiscal Years 2009	2008	Change
	(Rs. Millions)		(%)
TMT rods and bars	5,416.38	4,900.60	10.52
Alloy and mild steel billets	4,501.55	2,373.83	89.63
Pig iron	3,663.96	1,943.14	88.56
Ferro alloys	1,597.46	688.92	131.88
Sponge iron	1,859.19	1,026.56	81.11
Other steel items	863.95	3,570.29	(75.80)
Others*	1,050.91	565.88	85.71
Total	18,953.42	15,069.22	25.78

**Others consists of sales of scrap and by products, conversion charges, sales of raw materials, services and other charges and sales of power.*

As of June 30, 2009, we had two rolling mills with a combined total annual capacity of 260,000 MT for producing TMT bars, two ferro alloy facilities with a combined total annual capacity of 106,618 MT, one alloy steel billet facility with a total annual capacity of 433,000 MT, three MS billet facilities with a combined total annual capacity of 473,230 MT, two pig iron facilities with a combined total annual capacity of 509,250 MT, four sponge iron facilities with a combined total annual capacity of 445,000 MT, one sinter plant with a total annual capacity of 608,256 MT, one coal washery with a total annual capacity of 216,000 MT and three captive power plants with a combined total capacity of 71.1 MW. In addition, we have four railway rakes with 61 wagons each, delivered to Indian Railways under the Wagon Investment Scheme ("**WIS**") and three private railway sidings.

The WIS is a public-private partnership programme introduced by the Government in 2005 to encourage the participation of the private sector in the procurement of wagons to meet with the anticipated increasing freight traffic in India.

Under this scheme, we have procured and supplied railway wagons to Indian Railways, in return for a guaranteed allocation of eight rakes per month for every rake supplied to Indian Railways, at a 10.0% discount on the freight charges. Each rake consists of 61 wagons. We are also guaranteed an additional two rakes for every rake supplied, without any discount on freight charges.

We intend to increase our production capacity through the expansion of our current facilities, greenfield investments and through strategic acquisitions. We are currently developing a ductile pipe unit and a coke oven and a rolling mill in our existing facility in Durgapur, West Bengal. In addition, we have entered into a development agreement with the government of West Bengal to set up an integrated steel plant at Purulia, West Bengal. We have also entered into two memoranda of understanding with the government of Chattisgarh for the development of an integrated steel plant and a power plant.

Our Strengths

- Integrated operations
- Cost competitiveness
- Strategic location of our operations and efficient logistics network
- Established project execution skills
- We are entitled to certain subsidies that have been offered by the government of West Bengal
- Experienced management team and skilled employee base

Our Strategy

- Reduce our production costs by focusing on raw material procurement
- Reduce our production costs by continuing to focus on captive power generation
- Move up the value chain with respect to our products
- Implement our future expansion programme

Certain Factors Affecting Our Results of Operations

Our results of operations are affected particularly by the following factors:

Factors determining sales

The primary factors affecting our sales are our sales volumes, our product mix and the prices of our products. We have historically focused on producing sponge iron and pig iron and intend to focus on producing more downstream, value added products in our portfolio of products. We expect to increase sales of TMT bars, alloy billets, ferro alloys and ductile pipes to increase our revenue and improve our margins. The market for our products is driven substantially by changes in supply and demand in the global steel market, which are significantly affected by the state of the global economy, competition and consolidation within the steel industry. Our product mix also affects our revenues. In general, a higher percentage of high value added product sales will have a positive impact on our revenues as such products tend to have higher prices and profit margins than other more commoditised products. High value added products generally also benefit from lower volatility in sale prices, and therefore result in more predictable revenues due to a larger percentage of such products being sold on a contracted basis rather than in the spot market where prices vary on a daily basis. Our sales also depend on the price of steel in the international markets. The global price of steel, in turn, depends upon a combination of factors, including the availability and cost of raw material inputs, worldwide production and capacity, fluctuations in the volume of steel imports, transportation costs and protective trade measures.

Capacity expansion

Our revenue is likely to increase with our capacity expansions over the next several years, and we intend to continue to expand our capacity to meet increased demand and our growth objectives. After the completion of our expansion plans, we expect to benefit from increased economies of scale and improved efficiency, which we believe will have a positive impact on our sales and margins. However, with these expansions, we expect that our interest and depreciation expenses will increase, also. For more details on these expansion projects, see "Our Business — Expansion and Development Programme". There are a number of risks associated with our expansion plans.

See "Risk Factors — Risks Relating to our Business — Our expansion projects may require significant capital expenditure and may not be completed in the timeframe or at cost levels originally anticipated, and may not achieve the intended economic results".

Operating costs and efficiency

Given the nature of our business, operating costs and efficiencies are critical to maintaining our competitiveness and profitability. As a result, we have implemented certain measures in order to reduce our production costs. We currently have access to a coking coal block in which we are entitled to approximately 17.23 million tonnes of coking coal and which is scheduled to be commissioned in fiscal 2012. Once commissioned, this mine is expected to satisfy most of our coking coal needs. We also have access to the Dumri non-coking coal block in which we have a 68.12% share, resulting in access to 38.14 million MT, and once commissioned this mine is expected to satisfy most of our current non-coking coal needs. We have also been recently allocated another non-coking coal mine in Andal East in which we are entitled to approximately 229.50 million tonnes of coal. Once all of the above mentioned mines become operative, we expect our raw material expenses to be significantly reduced. Additionally, we have been granted certain mining leases which we are yet to explore. We also anticipate pursuing additional purchases, leases and allocations of sources of raw materials, including the above materials as well as iron ore. See "Our Business — Raw Materials and Other Key Inputs" for further details on our mines.

Prices for iron ore, one of our principal raw materials, have been relatively volatile in recent years. We have established a sinter plant, which utilises less expensive iron ore fines, to increase our efficiency in regard to this basic raw material.

We also intend to benefit from low cost and stable supply of power from our captive power plants. We currently have operational power plants that are capable of generating 71.1 MW and have commenced the development of a 40 MW power plant at our facility in Durgapur. Any change in power cost and efficiencies may have a material impact on us.

Other significant production costs include freight costs and repairs to machinery. Transporting raw materials from their source to our plants adds to the cost of production of our steel products and controlling the costs of transporting such material is critical to our profit margins.

General economic and business conditions

As a company operating in India, we are affected by the general economic condition in India and in particular the factors affecting the steel industry. The Indian economy has grown 9.2% in fiscal 2007, 9.0% in fiscal 2008 and 6.7% in fiscal 2009. Growth in industrial and manufacturing activities and the services sector will further lead to growth in demand for infrastructure facilities and consequently steel products, which will translate into increased demand for our products. Global economic conditions, such as slow-downs in the economic growth of other countries or increases in the price of oil, have an impact on the growth of the Indian economy, and government policy may change in response to such conditions. The overall economic growth will therefore affect our results of operations. The global credit markets and financial services industry have been experiencing a period of upheaval characterised by the bankruptcy, failure, collapse or sale of various financial institutions, severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, uncertainty about economic stability and an unprecedented intervention by governments and monetary authorities. Although these global matters were not particularly linked to the Indian economy or Indian markets, such economy and markets have been significantly affected by the global situation. While the ultimate outcome of these events cannot be predicted, it may have an adverse effect on our ability to borrow or raise additional funds in the capital markets on favourable terms.

Effect of inventory timing differences

The volatility in recent periods in prices for our products and costs of our raw materials and other inventory items has been subject to mismatches in timing. For example, during fiscal 2009 the most severe downturns in product pricing occurred during periods in which we held substantial raw material inventories, purchased by us at average costs that were relatively high when compared to the product prices we recognized for sales of products composed of such inventories, leading to significant negative effects on the profit margins for products we manufactured and sold at such times. While we have recently moved to limit the size of our material inventories in an effort to minimize this type of mismatch and as a result of a relative scarcity of working capital credit, we believe that this factor has had a significant adverse effect on us, in essence magnifying the effects of the global economic downturn during fiscal 2009.

Availability of cost effective funding sources

Our ability to grow in the steel business depends largely on cost effective avenues of funding, which will be primarily met through debt/loan borrowings from external sources. Our debt service costs as well as our overall cost of funds depend on many external factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. With the growth of our operations we have had to increasingly access commercial borrowings and we have benefited in the past due to relatively low interest rates on such borrowings. We believe that going forward the availability of cost effective funding sources could affect our business operations and financial performance.

Taxes and royalties

Income tax on Indian companies is presently charged, and during fiscal 2009 was charged, at a statutory rate of 30.00% plus a surcharge of 10.00% on the tax and an education cess of 3.00% on the tax including surcharge, which results in an effective statutory tax rate of 34.00%. However, the Company has been paying its current taxes under the minimum alternate tax ("**MAT**") regime, which during fiscal 2009 was equal to 11.33% of our book profits as calculated pursuant to Indian GAAP. The MAT rate has been increased to 17.00% of book profits in the current fiscal year. As the Company is paying greater current tax amounts under MAT than would be the case under the ordinary income tax calculation, we are entitled to MAT credit in succeeding years, which can be applied to reduce ordinary income tax payable. Further, we are eligible for income tax benefits under Section 80IA of the IT Act in connection with our power plant. We currently pay an excise duty of 8.00% and an education cess of 3.00% on the excise duty based on all of our domestic production intended for domestic sale. We charge the excise duty and education cess to our domestic customers. We are not required to pay any government royalties in connection with our mining operations, though we will be once the mines are fully operational. However, the prices we pay for iron ore and coal from third party suppliers are inclusive of royalties paid by the mine owners to government entities.

Competition

Our results of operations could be affected by competition in the steel industry. We expect competition to continue due principally to existing competitors further expanding their operations. We believe that this factor may adversely affect our financial condition and results of operations.

Basis of Preparation

The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by us and except for certain changes discussed more fully below, are consistent with those used in previous years.

Critical Accounting Policies

Critical accounting policies are those policies that require the application of our management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sensitive to results under different assumptions and conditions. We believe that our most critical accounting policies are those described below:

Principles of consolidation

Our consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and our subsidiary, NIPL, have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealised profits or losses on intra-group transactions as per Accounting Standard 21 – "Consolidated Financial Statements" notified by the Companies (Accounting Standard) Rules, 2006.

- The difference of the cost to us of our investment in NIPL as at the date of us acquiring our stake in it is recognised in the financial statements as goodwill or capital reserve, as the case may be.

- Interests in jointly controlled entities have been consolidated by using the "proportionate consolidation" method as per Accounting Standard 27 – "Financial Reporting of Interests in Joint Ventures" notified by the Companies (Accounting Standard) Rules, 2006.

- The consolidated financial statements have been prepared using uniform accounting policies for like transactions.

- The financial statements of the entities used for the purpose of consolidation are drawn up to the same reporting date as ours, i.e. year ended March 31, 2009.

Revenue recognition

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

- Revenue from sale of goods is recognised on passage of title to the customers, which generally coincides with delivery and includes excise duty thereon net of returns, claims, rebates, discounts, sales tax and value added tax or VAT.

- Income from services is recognised upon the performance of the contract and acceptance of the services by the customers.

- Revenue on interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

- Dividend income is recognised when the shareholders' right is established by the balance sheet date.

Borrowing costs

Borrowing costs relating to acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

Government grants and subsidies

Grants and subsidies from the Government are recognised when there is a reasonable assurance that the grant or subsidy will be received and all attaching conditions will be complied with. Prior to fiscal 2008, we recognised these amounts on a cash, rather than accrual, basis.

When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

Inventories

Inventories are valued as follows:

- Raw materials are valued at the lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

- Stores and spares are valued at the lower of cost and net realisable value. Cost is determined on a "first in first out" basis except for the unit located at Durg where the cost is determined on a weighted average basis.

- Work-in-process and finished goods is valued at the lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. In the case of NIPL, finished goods are valued at net realisable value.

- Prior to fiscal 2009, NIPL valued its inventory on a cost basis.

- Scrap and by products are valued at net realisable value.

- Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Foreign currency transactions

- *Initial recognition.* Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- *Conversion.* Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- *Exchange differences.* Exchange differences arising on the settlement or conversion of monetary items are recognised as income or as expenses in the period in which they arise.

- *Forward exchange contracts not intended for trading or speculation purposes.* The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on the cancellation or renewal of a forward exchange contract is recognised as income or as expense for the year.

Taxation

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amounts expected to be paid to the tax authorities in accordance with the IT Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and the tax laws that have been substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If we have carried forward unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is certainty supported by convincing evidence that they can be realised against future taxable profits.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that we will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India, this asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. We review the same at each balance sheet date and write down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that we will pay normal income tax during the specified period.

Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during the construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the profit and loss account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

Derivative instruments

As per the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts, other than those covered under Accounting Standard – 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect of the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

Description of Income and Expenditure Items

Income

Our total income consists of the following items:

- net sales and services; and
- other income.

Net sales and services. Net sales and services comprises income, less excise duty, generated by the sale of our products, including sponge iron, pig iron, TMT bars, alloy, non-alloy and mild steel billets, ferro alloys and other steel items, sale of scraps and by-products, conversion charges (revenue from processing raw materials provided by certain parties to manufacture products for such parties), sales of raw materials, service and other charges and export incentives.

Other income. Other income comprises interest on fixed deposits with banks, and loans and advances, brokerage and commission received, dividend income from long term non-trade investments, insurance claims settled, liabilities no longer required to be written back and miscellaneous income.

Expenditure

Our total expenditure consists of the following items:

- (increases) / decreases in stocks;
- excise duty and cess on stocks;
- raw materials consumed;
- purchases of trading goods;
- manufacturing expense;
- personnel cost;
- selling, distribution and administrative expense;
- prior period expenditure;
- interest and finance charges; and
- depreciation and amortisation.

(Increases) / decreases in stocks. This line item is an adjustment to our income statement which reflects decreases (or increases, if the case may be) in our process and finished goods inventory.

Excise duty and cess on stocks. This item represents the differential excise duty on opening and closing stock on finished goods.

Raw materials consumed. Raw materials consumed includes costs of raw materials such as coking coal, non-coking coal, iron ore, scrap metal, manganese ore, high manganese slag, quartzite and dolomite among others.

Purchases of trading goods. Purchases of trading goods consists of purchases of items that we do not produce, intended for trading activities (generally in conjunction with sales of our own products).

Manufacturing expense. Manufacturing expense includes the consumption of stores and spares, labour charges, power and fuel charges, repair and maintenance charges on plant, machinery and buildings among others, water charges and other expenses.

Personnel cost. Personnel cost includes salaries, wages and bonuses to our employees, contributions we make to provident fund and other funds, retirement benefits we provide to employees and expenses incurred for staff welfare.

Selling, distribution and administrative expense. Selling, distribution and administrative expense includes primarily freight and transportation charges for our raw materials and our finished goods, rent and hire charges, export duty, travelling and conveyance charges, provision for doubtful debts or advances, loss on forward exchange contracts or exchange fluctuations, security and service charges and miscellaneous expenses.

Interest and finance charges. Interest and finance charges consist primarily of interest and finance charges on our indebtedness, including debentures, fixed loans and other indebtedness.

Depreciation and amortisation. Depreciation expenses primarily consist of depreciation on our fixed assets, including our plants, coal washery, railway sidings, power plants, rolling mills and mining equipment. We amortise the railway assets we provide to Indian Railways under the Wagon Investment Scheme over the period of their use by Indian Railways. See "Our Business — Our Strengths – Strategic location of our operations and efficient logistics network".

Results of Operations

The following table sets forth selected financial data from our consolidated profit and loss account, the components of which are also expressed as a percentage of total income for the periods indicated:

Particulars	2009		2008		2007	
	Amount ***(Rs. Millions)***	**% of Total Income**	**Amount** ***(Rs. Millions)***	**% of Total Income**	**Amount** ***(Rs. Millions)***	**% of Total Income**
Income:						
Gross sales and services	18,953.42	108.33	15,069.23	108.88	11,054.21	106.42
Less: Excise duty	1,774.04	10.14	1,794.53	12.97	866.30	8.34
Net sales and services	17,179.38	98.19	13,274.70	95.91	10,187.91	98.08
Other income	315.98	1.81	565.85	4.09	199.94	1.92
Total income	17,495.36	100.00	13,840.55	100.00	10,387.85	100.00
Expenditure:						
Decreases/(increases) in stocks	649.48	3.71	(921.25)	(6.66)	(92.94)	(0.89)
Excise duty and cess on stocks	(136.98)	(0.78)	133.30	0.96	18.45	0.18
Raw materials consumed	11,142.30	63.69	6,954.71	50.25	4,036.73	38.86
Purchases of trading goods	720.07	4.12	2,565.67	18.54	3,413.43	32.86
Manufacturing expense	2,196.24	12.55	1,498.44	10.83	1,278.71	12.31
Personnel cost	330.69	1.89	189.43	1.37	63.93	0.62
Selling, distribution and administrative expense	611.43	3.49	465.40	3.36	123.03	1.18
Prior period expenditure (net)	7.17	0.04	9.69	0.07	(2.77)	(0.03)
Interest and finance charges	1,323.55	7.57	1,109.33	8.02	354.14	3.41
Depreciation/amortisation	541.31	3.09	447.57	3.23	234.17	2.25
Total expenditure	17,385.26	99.37	12,452.29	89.97	9,426.88	90.75
Profit before tax	110.10	0.63	1,388.26	10.03	960.97	9.25
Tax expense						
Current tax	25.85	0.15	200.66	1.45	81.24	0.78

MAT credit entitlement	(12.19)	(0.07)	(109.37)	(0.79)	(5.67)	(0.05)
Deferred tax charge	75.33	0.43	88.78	0.64	262.57	2.53
Fringe benefit tax	2.73	0.02	2.32	0.02	1.12	0.01
Total tax expense	91.72	0.52	182.39	1.32	339.26	3.27
Profit after tax	18.38	0.11	1,205.87	8.71	621.71	5.98
Share of profit of associate company	-	-	10.93	0.08	-	-
Consolidated profit	18.38	0.11	1,216.80	8.79	621.71	5.98

Fiscal 2009 Compared to Fiscal 2008

Income

Our total income increased to Rs.17,495.36 million in fiscal 2009 from Rs.13,840.55 million in fiscal 2008, an increase of 26.41%. This was primarily due to an increase in our net sales and services. Our gross sales and services increased to Rs.18,953.42 million in fiscal 2009 from Rs.15,069.23 million in fiscal 2008, an increase of 25.78% due to an increase in sales of our products, primarily sponge iron, which increased to Rs.1,859.21 million in fiscal 2009, pig iron, which increased to Rs.3,663.96 million in fiscal 2009, alloy, non-alloy and mild steel billets, which increased to Rs.4,501.55 million in fiscal 2009, ferro alloys, which increased to Rs.1,597.46 million in fiscal 2009, scraps and by products, which increased to Rs.202.55 million in fiscal 2009 and raw materials, which increased to Rs.500.12 million in fiscal 2009. While certain of these increases were attributable in part to increases in our product prices – price increases in the first half were partially offset by decreases in the second half, although average prices for the full year were generally higher in fiscal 2009 than in fiscal 2008 – for the most part the principal reason for sales and services increases was additional manufacturing capacity coming on-line. Capacity increases were particularly relevant to sales of billets and ferro alloys. These increases were offset by decreases in the sales of other steel items, which decreased to Rs.863.95 million in fiscal 2009, due both to our own capacity increases (reducing the need for trading goods) and to the general weakness in trading markets in fiscal 2009, and services and other charges, which decreased to Rs.84.62 million in fiscal 2009.

The following table illustrates our gross sales and services income for our products for the periods indicated:

Products	Fiscal Years 2009	2008	Change
	(Rs. Millions)		(%)
TMT rods and bars	5,416.38	4,900.60	10.52
Alloy and mild steel billets	4,501.55	2,373.83	89.63
Pig iron	3,663.96	1,943.14	88.56
Ferro alloys	1,597.46	688.92	131.88
Sponge iron	1,859.21	1,026.57	81.11
Other steel items	863.95	3,570.29	(75.80)
Others*	1,050.91	565.88	85.71
Total	18,953.42	15,069.23	25.78

**Others consists of sales of scrap and by products, conversion charges, sales of raw materials, services and other charges and sales of power.*

Expenditure

Our total expenditure increased to Rs.17,385.26 million in fiscal 2009 from Rs.12,452.29 million in fiscal 2008, an increase of 39.61%. The increase was due principally to increases in raw materials consumed, personnel cost and selling, distribution and administrative expenses, all of which related, directly or indirectly, to our capacity expansion.

Raw materials consumed. Raw materials consumed increased to Rs.11,142.30 million for fiscal 2009 from Rs.6,954.71 million for fiscal 2008, an increase of 60.21%, primarily due to increased production. The rate of increase of raw materials consumed exceeded the increase rate of total income principally as a result of inventory valuation timing issues. See "— Certain Factors Affecting Our Results of Operations – Effect of inventory timing differences".

Purchases of trading goods. Purchases of trading goods decreased to Rs.720.07 million for fiscal 2009 from Rs. 2,565.67 million for fiscal 2008, a decrease of 71.93%, primarily due to the increases in production of our manufactured products, which substantially reduced our need to purchase goods from third parties in order to fulfil our orders from customers.

Manufacturing expense. Manufacturing expense increased to Rs.2,196.24 million for fiscal 2009 from Rs.1,498.44 million for fiscal 2008, an increase of 46.57%, primarily due to an increase in power and fuel charges, consumption of stores and spares, labour charges and repairs and maintenance of plants and machinery.

Personnel cost. Personnel cost increased to Rs.330.69 million for fiscal 2009 from Rs. 189.43 million for fiscal 2008, an increase of 74.57%, primarily due to an increase in salaries and bonuses to our employees, which increased to Rs.285.44 million in fiscal 2009 from Rs.163.98 million in fiscal 2008, primarily as a result of increases in employee head counts resulting from our expansion of manufacturing capacity.

Selling, distribution and administrative expenses. Selling, distribution and administrative expenses increased to Rs.611.43 million for fiscal 2009 from Rs.465.40 million for fiscal 2008, an increase of 31.38%, primarily due to an increase in rent and hire charges, export duties, travelling and conveyance, legal and professional charges, loss on forward exchange contracts or exchange fluctuations relating to measures we took to hedge exposure on foreign currency loans and miscellaneous expenses that were offset in part by decreases in freight and transportation charges and rates and taxes.

Interest and finance charges. Interest and finance charges increased to Rs.1,323.55 million for fiscal 2009 from Rs.1,109.33 million for fiscal 2008, an increase of 19.31%, primarily due to an increase in working capital borrowings and borrowings to fund our expansion of capacity.

Depreciation and amortisation. Depreciation and amortisation increased to Rs.541.31 million for fiscal 2009 from Rs.447.57 million for fiscal 2008, an increase of 20.94%, primarily due to depreciation of assets in our newly-commissioned manufacturing facilities.

Profitability and Taxation

Our profit before tax decreased to Rs.110.10 million for fiscal 2009 from Rs.1,388.26 million, a decrease of 92.07% and our profit before tax margin (profit before tax as a percentage of total income) for the same periods decreased to 0.63% from 10.03%.

Provision for taxation decreased to Rs.91.72 million for fiscal 2009 from Rs.182.39 million for fiscal 2008, a decrease of 49.71%. The provision decreased less rapidly than our profit before tax due principally to MAT expense and deferred tax expenses. Our net consolidated profit for the same period decreased to Rs.18.38 million for fiscal 2009 from Rs.1,216.80 million for fiscal 2008, a decrease of 98.49%. Our net profit margin decreased to 0.11% for fiscal 2009 from 8.79% for fiscal 2008.

Fiscal 2008 Compared to Fiscal 2007

Income

Our total income increased to Rs.13,840.55 million in fiscal 2008 from Rs.10,387.85 million in fiscal 2007, an increase of 33.24% which was primarily due to an increase in our net sales and services. Our sales volumes increased due both to capacity expansions coming on-line, and to two acquisitions we made during the course of fiscal 2008. See "Our Business — Overview". Our gross sales and services increased to Rs.15,069.23 million in fiscal 2008 from Rs.11,054.21 million in fiscal 2007, an increase of 36.32%, due to an increase in the sales of our products, primarily pig iron, which increased to Rs. 1,943.14 million in fiscal 2008, and TMT bars, which increased to Rs.4,900.60 million in fiscal 2008, both primarily due to production capacity increases, ferro alloys, which increased to Rs.688.92 million in fiscal 2008 and sales of scraps and by products, which increased to Rs.59.84 million in fiscal 2008. We also recognised sales income from conversion charges, sale of raw materials, service and other charges and power in fiscal 2008 which were nil prior to fiscal 2008. This increase was offset in part by decreases in the sale of sponge iron, which decreased to Rs.1,026.56 million in fiscal 2008, alloy, non-alloy and mild steel billets, which decreased to Rs.2,373.83 million in fiscal 2008 and other steel items, which decreased to Rs.3,570.29 million for fiscal 2008, primarily due to decreases in our trading of third party-produced steel products as our own production increased.

The following table illustrates our gross sales and services income for our products for the periods indicated:

Products	Fiscal Years 2008	 2007	 Change
	(Rs. Millions)		(%)
TMT rods and bars	4,900.60	2,255.47	117.28
Alloy and mild steel billets	2,373.83	2,587.73	(8.27)
Pig iron	1,943.14	60.95	3,088.09
Ferro alloys	688.92	289.9	137.64
Sponge iron	1,026.56	1,080.25	(4.97)
Other steel items	3,570.29	4,747.45	(24.80)
Others*	565.88	32.46	1,643.31
Total	15,069.22	11,054.21	36.32

**Others consists of sales of scrap and by products, conversion charges, sales of raw materials, services and other charges and sales of power.*

Expenditure

Our total expenditure increased to Rs.12,452.29 million in fiscal 2008 from Rs.9,426.88 million in fiscal 2007, an increase of 32.09%, which was generally in line with a corresponding increase in our net sales and services.

Raw materials consumed. Raw materials consumed increased to Rs.6,954.71 million for fiscal 2008 from Rs.4,036.73 million for fiscal 2007, an increase of 72.29%, primarily due to production increases. Sales of our five principal product types – TMT bars, alloy, non-alloy and mild steel billets, pig iron, ferro alloys and sponge iron – increased by 74.25%, generally in line with the increase in raw materials consumed.

Purchases of trading goods. Purchases of trading goods decreased to Rs.2,565.67 million for fiscal 2008 from Rs.3,413.43 million for fiscal 2007, a decrease of 24.84%, due principally to reductions in this part of our business as we began to produce, rather than purchase, a greater portion of the goods needed to fill our orders.

Manufacturing expense. Manufacturing expense increased to Rs.1,498.44 million for fiscal 2008 from Rs.1,278.71 million for fiscal 2007, an increase of 17.18%, primarily due to an increase in power and fuel charges, consumption of stores and spares, labour charges and repairs and maintenance of plants and machinery.

Personnel cost. Personnel cost increased to Rs.189.43 million for fiscal 2008 from Rs.63.93 million for fiscal 2007, an increase of 196.35%, primarily due to an increase in salaries and bonuses to our employees, which increased to Rs.163.98 million in fiscal 2008 from Rs.49.41 million in fiscal 2007 primarily as a result of increases in employee head counts, due to our increased manufacturing capacity.

Selling, distribution and administrative expense. Selling, distribution and administrative expenses increased to Rs.465.40 million for fiscal 2008 from Rs.123.03 million for fiscal 2007, an increase of 278.31%, primarily due to an increase in freight and transportation charges, rent and hire charges, rates and taxes, travelling and conveyance, legal and professional charges, loss on forward exchange contracts or exchange fluctuations relating to measures we took to hedge exposure on foreign currency loans and miscellaneous expenses, caused to a large extent by expenses in connection with our increased sales of TMT bars.

Interest and finance charges. Interest and finance charges increased to Rs.1,109.33 million for fiscal 2008 from Rs.354.14 million for fiscal 2007, an increase of 213.26%, primarily due to an increase in borrowings to fund our expansion.

Depreciation and amortisation. Depreciation and amortisation increased to Rs.447.57 million for fiscal 2008 from Rs.234.17 million for fiscal 2007, an increase of 91.13%, primarily due to depreciation of assets relating to our expanded manufacturing capacity.

Profitability and Taxation

Our profit before tax increased to Rs.1,388.26 million for fiscal 2008 from Rs.960.97 million, an increase of 44.46% and our profit before tax margin for the same periods increased to 10.03% from 9.25%.

Provision for taxation decreased to Rs.182.39 million for fiscal 2008 from Rs.339.26 million for fiscal 2007, a decrease of 46.24%. The decrease, notwithstanding our increase in profit before tax, was due primarily to our utilisation of MAT credit and deferred tax benefits during fiscal 2008. Our net consolidated profit for the same period increased to Rs.1,216.80 million for fiscal 2008 from Rs.621.71 million for fiscal 2007, an increase of 95.72%. Our net profit margin increased to 8.79% for fiscal 2008 from 5.98% for fiscal 2007.

Financial Condition, Liquidity and Capital Resources

Liquidity

We operate in a capital-intensive industry. Our primary liquidity needs have been to finance our operations, working capital needs, acquisitions and expansions, dividend payments and debt servicing. Our expansion projects also require a high level of expenditure and in the three year period ended March 31, 2009, we spent an aggregate of Rs.17,325.94 million on such projects, including on projects to expand our steel capacities and acquisitions of mines. We have historically funded such capital expenditures through a combination of internal cash flows, offerings of securities and borrowings.

Cash Flows

The following table summarises our cash flows for fiscal 2009, 2008 and 2007:

	2009	Fiscal Years 2008 (*Rs. Millions*)	2007
Net cash generated from / (used in) operating activities	2,161.76	(338.21)	(309.20)
Net cash used in investing activities	(4,455.83)	(6,651.63)	(3,155.39)
Net cash from financing activities	2,262.87	6,856.77	3,463.82
Net change in cash and cash equivalents	(31.21)	(133.07)	(0.77)

Operating Activities

Net cash generated from operating activities was Rs.2,161.76 million in fiscal 2009 and consisted of net profit before taxes of Rs.110.10 million, as adjusted for, among other things, depreciation and amortisation of Rs.541.31 million, provision for doubtful debts or advances of Rs.16.42 million, interest and finance charges of Rs.1,710.48 million relating to our increased indebtedness to finance our expansion, loss on forward exchange contracts or exchange fluctuations of Rs.81.67 million, which were partially offset by liabilities no longer required to be written back of Rs.17.64 million and interest income of Rs.208.64 million, resulting in an operating profit before working capital changes of Rs.2,250.86 million. Our operating cash flow was further adjusted by working capital changes including decreases in sundry debtors of Rs.645.84 million, increases in loans and advances of Rs.562.24 million, increases in inventories of Rs.558.46 million and an increase in trade and other payables of Rs.506.28 million. We believe that these last two amounts, while reflecting increases, were lesser increases than would generally be expected in light of the increases in our production and sales, primarily as a result of general tightening on the availability of working capital credit. In particular, we began to reduce the amount of inventories held from time to time (in terms of the period of production covered by such inventories) during fiscal 2009 as a result of this credit tightening. We also made efforts to increase cash sales, reduce credit to our customers and, when possible, increase credit from our suppliers.

Net cash used in operating activities was Rs.338.21 million in fiscal 2008 and consisted of net profit before taxes of Rs.1,388.26 million, as adjusted for, among other things, depreciation and amortisation of Rs.447.57 million, provision for doubtful debts or advances of Rs.26.88 million, interest and finance charges of Rs.1,178.00 million, loss on forward exchange contracts or exchange fluctuations of Rs.35.64 million, which were partially offset by liabilities no longer required to be written back of Rs.37.51 million and interest income of Rs.80.25 million, resulting in an operating profit before working capital changes of Rs.2,969.58 million. Our operating cash flow was further adjusted by working capital changes including decreases in sundry debtors of Rs.125.74 million, increases in loans and advances of Rs.1,684.85 million consisting of advances made to affiliates of our Promoters, and increases in inventories of Rs.2,162.39 million and an increase in trade and other payables of Rs.579.86 million, both relating to the expansion of the scope of our business.

Net cash used in operating activities was Rs.309.20 million in fiscal 2007 and consisted of net profit before taxes of Rs.960.98 million, as adjusted for, among other things, depreciation and amortisation of Rs.234.18 million, interest and finance charges of Rs.354.14 million, which were partially offset by interest income of Rs.3.93 million, resulting in an operating profit before working capital changes of Rs.1,552.80 million. Our operating cash flow was further adjusted by working capital changes including increases in sundry debtors of Rs.2,043.71 million, increases in loans and advances of Rs.110.04 million, increases in inventories of Rs.678.30 million and an increase in trade and other payables of Rs.1,006.70 million. These working capital changes related principally to our merger with Shri Ramrupai Balaji Steels Limited, which was effective from April 1, 2006.

Investing Activities

Net cash used in investing activities was Rs.4,455.83 million for fiscal 2009 and consisted of purchases of fixed assets of Rs.4,937.86 million relating principally to our sinter plant, railway sidings and rakes at Durgapur, Ranigunj power plant capacity increase and our new electric arc furnace, partially offset by proceeds from sales of fixed assets comprising principally obsolete machinery and residual machinery, of Rs.16.78 million, capital subsidy that was received from the government of West Bengal of Rs.16.47 million, refund of a loan given to an affiliate of our Promoters of Rs.250.00 million and interest received of Rs.198.49 million.

Net cash used in investing activities was Rs.6,651.63 million for fiscal 2008 and consisted of purchases of fixed assets of Rs.5,004.53 million, including our acquisition of the steel division of HEG Limited and fixed assets relating to our ferro alloys plant, blast furnace and railway sidings and rakes, purchases of non-trade investments of Rs.33.45 million, purchase of investments or application money paid for NIPL of Rs.470.95 million and a loan to an affiliate of our Promoters of Rs.1,220.00 million, partially offset by interest received of Rs.76.88 million.

Net cash used in investing activities was Rs.3,155.39 million for fiscal 2007 and consisted of purchases of fixed assets in connection with our blast furnace, power plant and rolling mill plant of Rs.3,158.32 million and purchase of non-trade investments of Rs.1.04 million, partially offset by interest income of Rs.3.93 million.

Financing Activities

Net cash generated from financing activities for fiscal 2009 was Rs.2,262.87 million, consisting of proceeds from long and short term borrowings of Rs.6,192.65 million which was offset in part by repayment of long term and short term borrowings of Rs.2,549.83 million, interest and finance charges paid of Rs.1,325.23 million, dividend paid of Rs.47.00 million and dividend tax paid of Rs.8.01 million.

Net cash generated from financing activities for fiscal 2008 was Rs.6,856.77 million, consisting of amounts received towards equity warrants and convertible debentures of Rs.3,350.43 million through the investment by CVC International and Hudson in compulsorily convertible debentures and the Promoters of the Company and other entities in warrants and proceeds from long and short term borrowings of Rs.7,363.15 million which was offset in part by expenses incurred on the issuance of securities of Rs.62.94 million, repayment of long and short term borrowings of Rs.2,510.18 million, interest and finance charges paid of Rs.1,236.87 million, dividend paid of Rs.40.01 million and dividend tax paid of Rs.6.81 million.

Net cash generated from financing activities for fiscal 2007 was Rs.3,463.82 million, consisting of proceeds from long and short term borrowings of Rs.2,948.72 million and repayment of long and short term borrowings of Rs.905.05 million, partially offset by interest and finance charges paid of Rs.354.14 million, dividend paid of Rs.31.41 million and dividend tax paid of Rs.4.41 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities that were established for the purpose of facilitating off-balance sheet arrangements.

Contingent Liabilities

Given below are our contingent liabilities on a consolidated basis as of March 31, 2009:

Particulars	Amount *(Rs. Millions)*
Claims against us that are not acknowledged as debt:	
Excise and service tax demands under dispute or appeal for which Rs.2.00 million has been paid under protest	153.67
Sales tax /VAT matters under dispute or appeal	1,072.79
Others	2.63
Letters of credit, bills discounted and bank guarantees outstanding	596.00
Guarantees and counter guarantees given for loans obtained by NIPL	150.00
Guarantees given to banks and financial institutions for financial assistance extended to Rohne Coal Company Private Limited, a joint venture company	90.00

For further details, see our Financial Statements.

Indebtedness

The following table summarises our secured and unsecured indebtedness on an unconsolidated basis as of June 30, 2009:

Particulars	Outstanding as of June 30, 2009 *(Rs. Millions)*	Average interest rate
Secured Term Loans from Banks and financial institutions	9,816.94	11.8%
Cash Credit from scheduled banks	6,162.24	11.4%
Interest accrued and due	40.51	Nil
Unsecured Loans (Including Interest Accrued and Due)	2,801.03	Nil
Total Indebtedness	18,820.71	11.6%

Unsecured loans include Rs.2,732.56 million of compulsorily convertible debentures that were converted into equity shares on July 31, 2009.

Historical and Planned Capital Expenditures

For fiscal 2009, 2008 and 2007, we paid Rs.4,937.86 million, Rs.5,004.53 million and Rs.3,158.32 million, respectively, on capital expenditures. Our capital expenditure for fiscal 2009, 2008 and 2007 was used principally for our expansion at our Durgapur and Ranigunj facilities and the two acquisitions we made in fiscal 2008.

We expect our capital expenditure needs for fiscal 2010 to be approximately Rs.3,550.00 million and to consist principally for investments in our expansion plans, which we expect will be met from the proceeds of this Issue and cash generated from operating activities.

Contractual Obligations and Commercial Commitments

Particulars	As of March 31, 2009	Less than 1 year	1-3 years
		(Rs. Millions)	
Total indebtedness	18,186.92	8,351.91	3,916.49
Estimated value of contracts remaining to be executed by the Company (including net advances of Rs. 151.92 million)	362.92	356.90	-
Guarantees given to banks and other financial institutions	341.04	64.70	13.22

Total indebtedness as on March 31, 2009 includes Rs.2,732.56 million of compulsorily convertible debentures which were converted into equity shares on July 31, 2009

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties, including with our affiliates and certain key management members on an arm's length basis. Such transactions could be for provision of services, leases of assets or property, sales or purchases of equity shares or incurrence of indebtedness. For details of our related party transactions, see note 15(b) of schedule 23 to our Financial Statements.

Quantitative and Qualitative Disclosure about Market Risk

Commodity Price Risk

Our revenue is exposed to the market risk of price fluctuations related to the sale of our steel products. Market forces generally determine prices for the steel products that we sell. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global and Indian economic conditions and growth. Adverse changes in any of these factors may reduce the revenue that we earn from the sale of our steel products. Our costs are currently exposed to fluctuations in prices for the purchase of coking coal, ferro alloys, zinc, scrap and other raw material inputs.

Interest Rate Risk

Interest rate risk arises when we are exposed to changes in the fair value of our interest rate sensitive financial instruments and borrowings which arise from changes in market interest rates. Although we do not currently use any derivative instruments to modify the nature of our exposure to floating rate indebtedness or our deposits so as to manage interest rate risk, we do, from time to time, effectively transfer certain loans into foreign currency indebtedness for fixed periods to protect against changes in floating interest rates.

Inflation

Although India has experienced fluctuation in inflation rates in recent years, inflation has not had a material impact on our business or results of operation. An increase in inflation rates may, however, adversely affect growth in the Indian economy and as a result our results of operations.

Seasonality

Seasonal variations may adversely affect our business, principally through their effect on construction-linked activity in India, which is typically reduced during the Indian monsoon season, principally affecting our sale of long steel products such as TMT bars. Further, severe weather may on occasion require us to evacuate personnel or curtail services at our facilities or may result in damage to a portion of our equipment or facilities resulting in the suspension of operations, and may prevent us from delivering our products to our customers in accordance with contract schedules or generally reduce our productivity.

THE INDIAN STEEL INDUSTRY

The information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by the Company, the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager or their respective legal or financial advisors, and no representation is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources. Unless otherwise indicated, all financial and statistical data relating to the Indian economy in the following discussion is derived from the Central Statistical Organisation and CIA World Factbook. Unless otherwise indicated, all financial and statistical data relating to the steel industry in India in the following discussion is derived from the World Steel Association's website. The data may have been re-classified by us for the purpose of presentation.

Overview of the Indian Economy

With a GDP of approximately US$3,267.00 billion in 2008, on a purchasing power parity basis, India is the fourth largest economy in the world after the United States, China and Japan (Source: CIA World Factbook). In 1991, the Government initiated a series of comprehensive macroeconomic and structural reforms to promote the stability and growth of the Indian economy. As a result, the Indian economy experienced significant growth with an average real GDP growth rate of approximately 8.50% between fiscal 2006 and fiscal 2008, although the growth rate declined to 6.70% in fiscal 2009 due to the global recessionary environment (Source: Central Statistical Organisation). Specifically, the services and manufacturing sectors grew by 9.70% and 3.70% in fiscal 2009, respectively (Source: Central Statistical Organisation). India's services share, which accounted for 53.70% of India's GDP in 2008 is relatively high for an emerging market (Source: CIA World Factbook).

Steel Industry in India

While the steel industry in India is affected by the performance of the Indian economy, its sustained development is critical for attaining the level of economic growth envisaged in the 11th Five Year Plan (2007-2012). According to the Joint Plant Committee, the steel industry being the first core sector liberalised in India, has undergone various regulatory developments and reforms, including, among others:

- Since 1991, the steel industry has been removed from the list of industries reserved for the public sector and exempted from the provisions of compulsory licensing under the Industries (Development and Regulation) Act, 1951;
- Since 2002, the steel industry has been deregulated from pricing and distribution control and included in the list of "high priority" industries;
- The import for steel has moved gradually from a controlled regime to a liberalised one, by way of exempting steel imports from licensing, canalisation and lowering of import duty levels. Export of steel has also been freely permissible;
- Measures have been taken to reduce duties imposed on raw materials for steel production, which help lower capital costs and production costs of steel plants. Additionally, there are no export duties on steel items;
- Since April 1994, the Government has discontinued the levy on account of the Steel Development Fund; and
- The National Steel Policy, 2005, sought to support the development of risk-hedging instruments to protect against price volatility in the steel market, to strengthen existing training and research and development facilities, to institute mechanisms for import surveillance and to monitor export subsidies in other countries.

These measures have contributed to the substantial growth of the steel industry in India over the past decade. With crude steel production of 27.56 million MT in the first half of the calendar year 2009, India is now the third largest steel-producing country in the world, after China and Japan. Total crude steel production in India has also increased by 3.95% from 53.10 million MT in 2007 to 55.20 million MT in 2008 (Source: worldsteel.org).

Steel Production in India

The table set forth below illustrates the production of finished carbon steel, pig iron and direct reduced iron ("**DRI**") in India since fiscal 2002:

(in million tonnes)

Fiscal Years	Finished Carbon Steel	Pig Iron	DRI
2002	30.63	4.07	5.40
2003	33.67	5.29	6.91
2004	36.19	5.22	8.08
2005	40.05	3.23	10.30
2006	42.64*	3.86*	12.50**
2007	55.15	4.99	18.35
2008	58.23	5.31	20.38
2009	59.02	5.29	20.80
2010 (April-June)	14.80*	1.36*	5.15*

**Provisional*
***April to December*
(Source: Ministry of Steel)

Apparent Consumption of Finished Carbon Steel

Apparent consumption of finished carbon steel in India reached 54.83 million tonnes in fiscal 2009, as compared to 27.35 million tonnes in fiscal 2002. The following table sets forth apparent consumption of finished carbon steel in India since fiscal 2002:

(in million tonnes)

Fiscal Years	Apparent Consumption of Finished Carbon Steel
	27.35
2002	28.90
2003	31.17
2004	34.39
2005	38.15*
2006	49.78
2007	55.17
2008	54.83
2009	13.64*
2010 (April-June)	

**Provisional*
(Source: Ministry of Steel)

Global Steel Production

Global crude steel production in 2008 was approximately 1,329.72 million MT, of which 927.12 million MT were contributed by blast furnace iron ("**BFI**") and 56.77 million MT were contributed by DRI (Source: worldsteel.org).

During the first half of calendar year 2009, global crude steel production reached 549.26 million MT, of which 360.26 million MT, or 65.59% of global crude steel production, was contributed by Asian countries. China continued to be the largest steel-producing country with production of 266.58 million MT, or 48.53% of global crude steel production, followed by Japan, with production of 36.69 million MT, or 6.68% of global crude steel production, followed by India, with production of 27.56 million MT, or 5.02% of global crude steel production. (Source: worldsteel.org) Notably, based on these figures, India became the third-largest crude steel producer, by-passing the United States and Russia, due to the significant decline in crude steel production in those countries.

Steel Production Statistics

The table set forth below illustrates global crude steel production since 2002:

(in thousand tonnes)

	Year ended December 31							
Country	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**1H 2009**
China	182,249	222,413	280,486	355,790	422,660	489,899	500,488	266,583
Japan	107,745	110,511	112,718	112,471	116,226	120,203	118,738	36,693
India	28,814	31,779	32,626	45,780	49,450	53,080	55,050	27,555
Russia	59,777	61,450	65,583	66,146	70,830	72,387	68,510	26,761
United States	91,587	93,677	99,681	94,897	98,557	98,102	91,490	24,541

	Year ended December 31							
Country	2002	2003	2004	2005	2006	2007	2008	1H 2009
South Korea	45,390	46,310	47,521	47,820	48,455	51,517	53,488	22,845
Germany	45,015	44,809	46,374	44,524	47,224	48,550	45,833	13,786
Brazil	29,604	31,147	32,909	31,610	30,901	33,782	33,713	10,565
Other countries	313,872	327,896	351,184	347,648	366,893	383,769	362,409	119,933
Total	904,053	969,992	1,069,082	1,146,686	1,251,196	1,351,289	1,329,719	549,262

(Source: worldsteel.org)

DRI Production Statistics

The table set forth below illustrates DRI production since 2002:

(in thousand tonnes)

	Year ended December 31							
Country	2002	2003	2004	2005	2006	2007	2008	1H 2009
India	5,731	7,051	9,121	12,052	15,032	18,056	20,150	10,370
Iran	5,280	5,038	6,437	6,873	6,929	7,491	7,399	4,362
Venezuela	6,844	6,646	7,825	8,897	8,420	7,782	7,140	3,130
Mexico	4,741	5,473	6,345	6,065	6,167	6,265	5,940	2,077
Saudi Arabia	3,280	3,285	3,406	3,626	3,581	4,101	4,530	2,066
Trinidad and Tobago	2,317	2,169	2,219	2,056	2,072	2,065	1,600	376
Argentina	1,476	1,736	1,755	1,821	1,940	1,800	1,847	319
Russia	2,910	2,910	3,140	3,340	3,280	3,410	0	0
Egypt	2,530	2,870	3,020	2,900	3,100	2,786	0	0
Other countries	8,071	8,680	10,169	9,050	8,954	10,936	8,161	3,599
Total	43,180	45,858	53,437	56,680	59,475	64,692	56,767	26,299

(Source: worldsteel.org)

BFI Production Statistics

The table set forth below illustrates BFI production since 2002:

(in thousand tonnes)

	Year ended December 31							
Country	2002	2003	2004	2005	2006	2007	2008	1H 2009
China	170,745	213,785	256,738	344,732	407,554	471,419	471,100	256,061
Japan	80,979	82,091	82,974	83,058	84,270	86,771	86,171	28,849
Russia	46,251	48,325	50,321	48,410	51,742	51,043	48,295	19,401
India	24,315	26,550	25,117	27,125	28,256	28,828	28,900	13,907
South Korea	26,570	27,314	27,556	27,309	27,559	29,437	31,210	12,246
Ukraine	27,634	29,528	31,056	30,782	32,950	35,647	30,982	11,976
Brazil	29,694	32,038	34,558	33,884	32,452	35,571	34,969	9,910
Germany	29,427	29,481	30,018	28,854	30,360	31,150	29,105	8,152
United States	40,225	40,644	42,291	37,222	37,903	36,337	32,992	7,928
Other countries	135,168	140,267	143,383	139,365	141,910	142,454	133,399	54,100
Total	611,008	670,023	724,012	800,741	874,956	948,657	927,123	410,554

(Source: worldsteel.org)

Global Steel Consumption

The following table sets forth apparent steel consumption data by country or region since 2002:

(mmt)

Regions	2002	2003	2004	2005	2006	2007	2008
European Union (27)	158.7	160.1	172.4	165.5	188.6	198.1	182.1
Other Europe	17.5	19.9	22.6	25.1	28.9	31.6	28.9
CIS	34.0	37.0	38.1	41.5	48.9	56.6	49.9
NAFTA	137.5	131.3	150.8	138.3	155.7	141.3	129.7
Central and South America	27.7	27.6	33.0	32.5	36.4	41.9	44.4
Africa	19.1	18.3	19.9	21.5	22.9	25.1	26.2
Middle East	24.1	28.9	29.8	33.5	34.9	40.3	43.1
Asia	399.4	454.2	503.0	574.1	610.1	671.3	684.6
World	825.2	884.7	977.6	1,040.0	1,134.4	1,214.8	1,198.1

(Source: worldsteel.org)

The World Steel Association (worldsteel) forecasts that worldwide apparent steel use is expected to decline by 14.9% to 1,018.6 mmt in 2009 after declining by 1.4% to 1,198.1 mmt in 2008. However, steel demand is expected to stabilise in the latter part of 2009 leading to a mild recovery in 2010.

The progression of the US financial crisis into a global economic crisis brought about a regionally synchronised global decline of steel demand in late 2008. For most of the world this trend has continued into the first quarter of 2009. Improvement in steel consumption for the second half of 2009 will depend on the effects of government stimulation packages, the continued stabilisation of financial systems and a return of some consumer confidence. The steel industry remains an industry well positioned to respond to changing market conditions.

Within the NAFTA region, the US is expected to show the largest decline in steel demand in the post-war period. In 2009, apparent steel use is expected to fall by 36.6%. Europe will be the most affected region outside NAFTA. The EU 27, Other Europe, and CIS regions are expected to show a decline of more than 25% in their apparent steel use in 2009. Japan has also been affected by a sharp decline in the exports of its steel-using industries, especially automotive and machinery. Apparent steel use is expected to fall by 20.4% in 2009.

Emerging economies are being affected by the economic crisis as well, but to a lesser degree. India is projected to have a positive growth of 2% for apparent steel use in 2009 and BRIC countries as a whole are forecasted to contract by only 5.9%. Projected apparent steel use for the world, excluding BRIC, is down 22.3% in 2009.

China is expected to witness negative growth of 5% in apparent steel use in 2009 as the ongoing global economic crisis hits China's exports in addition to the effects of a slowing domestic economy. The last time that China's apparent steel use recorded negative growth was in 1995 when apparent steel use fell by 17.2% following the real estate bubble burst. Apparent steel use for the world excluding China is expected to decline by 20.4% in 2009.

The following table sets forth 2008 figures and 2009 forecasts for global steel consumption by country or region:

	(mmt)		Percentage change	
Regions	2008	2009	2008	2009
EU(27)	181.5	129.2	-8.4%	-28.8%
Other Europe	28.9	21.5	-8.3%	-25.7%
CIS	50.0	38.4	-11.8%	-23.1%
NAFTA	129.7	88.0	-8.2%	-32.2%
Central and South America	43.6	37.6	5.7%	-13.9%
Africa	25.3	25.2	0.2%	-0.5%
Middle East	42.8	39.0	-0.9%	-8.9%
Asia and Oceania	693.8	637.4	2.0%	-8.1%
World	1,197.4	1,018.6	-1.4%	-14.9%
BRIC	537.6	505.9	2.3%	-5.9%
World (excl. BRIC)	659.8	512.7	-4.2%	-22.3%
World (excl. China)	771.8	614.2	-3.6%	-20.4%

(Source: worldsteel.org)

OUR BUSINESS

Overview

We are the flagship company of the Jai Balaji Group of companies. We were incorporated on July 1, 1999 and have a presence across the entire value chain of steel manufacturing, from processing iron ore and coal, to producing and distributing finished products. We were promoted by Mr. Sanjiv Jajodia, Mr. Aditya Jajodia and Mr. Rajiv Jajodia, who had entered into the steel manufacturing business by acquiring Chandi Steel Industries Private Limited in 1991. We started as a sponge iron manufacturer in the calendar year 2000 and have since diversified our portfolio of products at our facilities to become an integrated steel manufacturing company. According to the West Bengal Sponge Iron Manufacturers Association, as of August 2009, we are the largest private sector sponge iron manufacturer and one of the largest integrated steel producers in West Bengal.

The Company was incorporated as a private limited company under the name Jai Balaji Sponge Private Limited, and was converted to a public limited company in 2002. We set up our first sponge iron kiln, which had a daily capacity of 50 MT, in April 2000. We undertook an initial public offering in October 2003 and our equity shares were listed on the CSE and the NSE. In July 2007, we undertook a merger with another member of the Jai Balaji Group of companies, Shri Ramrupai Balaji Steels Limited, which was then listed on the BSE and the NSE. The merger took effect from April 1, 2006, and we changed our name to Jai Balaji Industries Limited. Our equity shares are now listed on the BSE, the NSE and the CSE. During fiscal 2008, we acquired the steel division of HEG Limited in Chhattisgarh and 100.0% of the shareholding of Nilachal Iron & Power Limited ("**NIPL**") in Jharkhand. We had consolidated total income of Rs.17,495.36 million and Rs.13,840.55 million in fiscal 2009 and fiscal 2008, respectively.

We offer a chain of value-added products including sponge iron, pig iron, TMT bars, alloy, non-alloy and mild steel ("**MS**") billets and ferro alloys. The following table illustrates our gross sales and services income for our products for the periods indicated:

Products	Fiscal Years 2009	2008	Change (%)
	(Rs. Millions)		
TMT rods and bars	5,416.38	4,900.60	10.52
Alloy and mild steel billets	4,501.55	2,373.83	89.63
Pig iron	3,663.96	1,943.14	88.56
Ferro alloys	1,597.46	688.92	131.88
Sponge iron	1,859.21	1,026.57	81.11
Other steel items	863.95	3,570.29	(75.80)
Others*	1,050.91	565.88	85.71
Total	18,953.42	15,069.23	25.78

**Others consists of sales of scrap and by products, conversion charges, sales of raw materials, services and other charges and sales of power.*

As of June 30, 2009, we had two rolling mills with a combined total annual capacity of 260,000 MT for producing TMT bars, two ferro alloy facilities with a combined total annual capacity of 106,618 MT, one alloy steel billet facility with a total annual capacity of 433,000 MT, three MS billet facilities with a combined total annual capacity of 473,230 MT, two pig iron facilities with a combined total annual capacity of 509,250 MT, four sponge iron facilities with a combined total annual capacity of 445,000 MT, one sinter plant with a total annual capacity of 608,256 MT, one coal washery with a total annual capacity of 216,000 MT and three captive power plants with a combined total capacity of 71.1 MW. In addition, we have four railway rakes with 61 wagons each, delivered to Indian Railways under the Wagon Investment Scheme ("**WIS**") and three private railway sidings. The WIS is a public-private partnership programme introduced by the Government in 2005 to encourage the participation of the private sector in the procurement of wagons to meet with the anticipated increasing freight traffic in India. Under this scheme, we have procured and supplied railway wagons to Indian Railways, in return for a guaranteed allocation of eight rakes per month for every rake supplied to Indian Railways, at a 10.0% discount on the freight charges. Each rake consists of 61 wagons. We are also guaranteed an additional two rakes for every rake supplied, without any discount on freight charges.

We intend to increase our production capacity through the expansion of our current facilities, greenfield investments and through strategic acquisitions. We are currently developing a ductile pipe unit and a coke oven and a rolling mill in our existing facility in Durgapur, West Bengal. In addition, we have entered into a development agreement with the government of West Bengal to set up an integrated steel plant at Purulia, West Bengal. We have also entered into two memoranda of understanding with the government of Chattisgarh for the development of an integrated steel plant and a power plant.

Our Strengths

Integrated operations

Our operations span the entire value chain. Our main facilities, which are located at Durgapur are capable of producing metallics or intermediaries, namely sponge iron, which is produced through the direct reduction process or DRI; pig iron, which is produced through the blast furnace process or BFP; both routes of steel billet making, namely induction furnace ("**IF**") and electric arc furnace ("**EAF**"); and finished products such as TMT bars and rods. We also have capacity to produce ferro alloys at our Durgapur facilities and we are in the process of constructing a ductile iron pipe unit at Durgapur, which will further diversify our product portfolio. Our facilities located in Ranigunj, Durg and Kandra produce primarily intermediary products, which we use to produce finished products in our facilities located in Durgapur. Intermediary products which are in excess of our requirements are sold in the markets in the vicinity of our facilities. As an integrated steel manufacturer, we believe that our operations are sufficiently flexible to enable us to alter our product mix and position in order to minimise any adverse effect on our business in the highly cyclical steel industry, as prices and gross margins for each product in our production line vary and fluctuate. In addition, our facilities have power generation capabilities with our captive power plants and access to owned infrastructure, such as railway sidings. We have also secured our own sources of raw materials such as iron ore, coking and non-coking coal, which mines will become operational within the next two fiscal years. We believe that with this level of integration, our exposure to the volatility of raw material prices will be limited. We are also able to achieve significant cost saving as a result of our integrated operations.

Cost competitiveness

Given the commoditised nature of most segments of the steel business, cost competitiveness is a key component of success. We believe we have low production costs relative to most of our competitors, which is partly attributable to our integrated operations. In addition, we continuously endeavour to adopt cost saving measures in our operations. At our integrated steel manufacturing facility at Durgapur, we use free fuels such as waste heat recovered from our blast furnace and the direct reduction process, dolochar, which is a waste product of the direct reduction process, as fuel for our captive power plants. We also collect dolochar from other non-integrated manufacturers located in the vicinity of our facilities for our own use. Further, we purchase less expensive non-coking coal, which has higher content of impurities, primarily ash, for use in our manufacturing facilities. We wash such coal in our coal washery at our facility, thereby improving our manufacturing yield and we use the ash as fuel for our power plants. Utilising our own captive power plants to cater to our energy requirements significantly reduces our operating costs, specifically for ferro alloys production, which requires a significant amount of power. As a result, we believe our energy costs are low when compared to companies with equal scales of operations. Our Durgapur facilities are also supported by a sinter plant, which enables us to use lower cost iron ore fines in lieu of iron ore lumps. We are also currently looking to augment our backward integration by mining our own coal and setting up a coke oven plant to further reduce costs. Thus, we believe we enjoy significant cost advantages in the production of steel.

Strategic location of our operations and efficient logistics network

We currently have manufacturing facilities spread across four locations in West Bengal (Durgapur and Ranigunj), Chattisgarh (Durg) and Jharkhand (Jamshedpur), which are all located in eastern India. These locations are in the middle of India's mineral belt with relative proximity to iron ore sources and coal mines, and are well served by ports and other logistics networks. Transportation costs of our raw materials account for a significant portion of our manufacturing costs as we require approximately three tonnes of raw material in order to produce approximately one tonne of metal. Therefore, controlling the costs of transporting such material is critical to protect our profit margins. Due to our geographic proximity to the sources of raw materials, we are able to save on freight cost in transporting our raw materials. We have also developed three railway sidings, one at our plant in Durgapur and the other two at our raw materials locations at Barbil in Orissa and Muripar at Chattisgarh, at a total cost of Rs.411.91 million. The private siding within our plant in Durgapur allows us to deliver products to customers by rail without being hampered by the generally congested public siding, thereby increasing our market penetration. Furthermore, we are not required to pay multiple handling and shunting charges. We have also procured and delivered four railway rakes of 61 box wagons each to Indian Railways under the WIS at a total cost of Rs.546.00 million. Under this scheme, Indian Railways will operate our rakes, but the Ministry of Railways guarantees allocation of eight rakes per month for every rake supplied to Indian Railways, which translates into 32 rakes per month that are available for us to transport our raw materials. We are also entitled to a 10.0% discount on the freight charges for the first 24 rakes under the scheme. Our logistics networks have recently come into operation and we believe that in time, virtually all our raw material requirements will be transported by the rail network, thereby reducing our transportation costs and giving us a significant competitive advantage over our competitors in both eastern and western India.

Established project execution skills

Over the past few years we have been able to successfully implement all our projects, including capacity expansion projects. All our capacity expansions were organic except our acquisition of NIPL in Jharkhand and the steel division of HEG Limited in Chhattisgarh in fiscal 2008. Our capacity expansion has enabled us to improve the quality of, and increase the range of, our products within a relatively short period of three years, since we began our expansion programme in 2004. We have a proven track record in implementing our expansion plans on a timely basis and without incurring significant cost overruns. We believe we have managed to implement our capacity expansion at some of the lowest capital costs as compared to our peers as a result of our in-house projects execution team, which comprises civil, metallurgical, mechanical, electrical and chemical engineers. As of June 30, 2009, we employed 365 of such personnel. Where we are required to engage the services of third party EPC contractors, we have split the project and awarded contracts to several contractors, which we have found to be more cost effective as compared to awarding a contract to a single contractor on a turnkey basis. Also, we have found it easier to monitor the progress of our third party contractors under smaller, separate contracts. In addition, due to our continuous expansion activities, we have been able to achieve economies of scale in the procurement of EPC services from such third party contractors. All these have enabled us to rapidly grow our operations at a relatively low cost within a span of five years. For example, we achieved a combined annual capacity expansion of our facilities in West Bengal from 100,000 MT to 735,000 MT (including a 260,000 MT per annum rolling mill, a 314,424 MT per annum steel melting shop, a 30,118 Ferro Alloy plant and a 52 MW power plant) at a total cost of Rs.5,700. 09 million during fiscals 2004 to 2007. The following table sets out the capacity expansion and upstream integration we achieved as the result of our ongoing expansion plan, for the years indicated:

Capacity expansions	Fiscal Years				
	2005[1,2]	2006	2007[3]	2008[4]	2009
	(MTPA, unless otherwise stated)				
Finishing Lines		30,118 (Ferro Alloy)	80,000 (Re-rolling) 180,000 (Re-rolling)	51,000 (Ferro Alloy)	25,500 (Ferro Alloy)
Metal Capacity	79,200 (MS Billets)		235,224 (MS Billets)	158,806 (Billets)	433,000 (Alloy Billets)[5]
Metallics	105,000 (Sponge Iron)		120,000 (Sponge Iron) 509,250 (Pig Iron)	220,000 (Sponge Iron)	
Upstream Integration		12 MW Power Plant	216,000 TPA Coal Washery 40 MW Power Plant	12.8 MW Power Plant	608,256 TPA Sinter Plant 6.3 MW Power Plant
Logistics			2 Rakes under WIS	2 Railway Sidings 1 Rake under WIS	1 Railway Siding 1 Rake under WIS

1. The numbers for fiscal 2005 and fiscal 2006 refer to Jai Balaji Sponge Limited, prior to the merger
2. Fiscal 2005 numbers refer the total capacity as of March 31, 2005
3. Fiscal 2007 capacity additions include facilities added due to the merger of Shri Ramrupai Balaji Steels Limited
4. Fiscal 2008 numbers include the acquisition of the steel division of HEG limited and the acquisition of NIPL
5. This capacity was added in June 2009

We are entitled to certain subsidies that have been offered by the government of West Bengal

We are eligible for various incentives from the government of West Bengal for our existing facilities at Durgapur under the West Bengal Incentive Scheme, 2000 and 2004, and the West Bengal Incentive to Power Intensive Industries Scheme. Under these schemes, we are eligible for, and have been given, among other things, the following incentives:

- industrial promotion assistance ("**IPA**") including the state capital investment subsidy;
- power subsidy;
- interest subsidy.

As of June 30, 2009, we have been granted three IPA packages for the expansion projects at our Durgapur facilities, based on the approved project costs of Rs.1,750.00 million, Rs.934.04 million and Rs.17,337.95 million, respectively, which represent our estimated fixed capital investment. Under the IPA scheme, we are entitled to 75.0% of our net sales tax liability, which we will receive over a period of 15 years, provided we will be entitled to not more than 100.0% of our fixed capital investment in the project costs. We have also been granted a state capital investment subsidy, amounting to 15.0% of our fixed capital investment, subject to a maximum of Rs.15.00 million for each IPA package granted to us, which we will receive over a period of 10 years. Further, we are entitled to a power subsidy in respect of power we purchase for consumption in Durgapur. Under this power subsidy, we are currently exempted from paying electricity duty on 15.0% of the purchased electricity for our production and operations activities, for a period of five years beginning from the respective commencement of production dates of the facilities set up under the approved expansion projects.

We will also receive a rebate from the government of West Bengal, equivalent to 2.0% of our energy consumption charge, for a period of six years, ending in calendar year 2009. We are entitled to a five-year interest subsidy of an amount equivalent to 50.0% of the annual interest payable on term loans we have taken from commercial banks and financial institutions, subject to a maximum of Rs.10.00 million per year. For fiscal 2009, the total incentives accrued to us under these schemes totalled Rs.292.93 million. Under the development agreement we signed with the government of West Bengal, our greenfield Purulia project will also be eligible for similar benefits in the form of financial concessions, tax relief and other incentives from the government of West Bengal in accordance with the West Bengal Incentive Scheme 2004 and other policies of the government of West Bengal to be mutually agreed upon by the government of West Bengal, West Bengal Industrial Development Corporation Limited ("**WBIDC**") and the Company.

Experienced management team and skilled employee base

Our management team has in-depth industry knowledge and extensive experience in the steel industry. Our senior projects and technical team have over two decades of experience in their respective business segments and have been instrumental in our growth. Our Promoters, who form our core management team, have been in the steel and ferro alloys industry since 1991. We believe that our management team is well placed to provide strategic leadership and direction to explore new emerging opportunities in our business as well as to constantly improve our current operations. We have witnessed low attrition of key management personnel and have also recruited several professionals with domain expertise in critical areas from our larger competitors. We believe our management provides us with a significant competitive edge. As of June 30, 2009, we had 2,601 employees on our payroll and we employed 4,500 persons on a contractual basis.

Our Strategy

Reduce our production costs by focusing on raw material procurement

Cost competitiveness is a key component to our success. One of the key cost components in our business is the cost of raw materials, especially coking coal, which is used to make coke, which is, in turn, used to make pig iron. We now have our own allocated coking coal block, ("Rohne coal block") in consortium with JSW Steel Limited and Bhushan Steel Limited, which has an estimated geological reserve of 410.00 million tonnes and a tentative extractable reserve of 250.00 million tonnes, where our share of the extractable coal is approximately 17.23 million tonnes. We expect the Rohne coal block to start production in fiscal 2012. We anticipate that once commissioned, this mine will provide us with most of our coking coal requirements, thereby reducing our raw material costs significantly. Further, we also have obtained a non-coking coal block ("**Dumri coal block**") through the acquisition of NIPL in October 2007. This block was awarded to NIPL in consortium with Thakur Prasad Soa & Sons Private Limited (formerly known as Bajrang Ispat Private Limited) ("**Thakur**") and has estimated proved and indicated reserves of 55.99 million tonnes of coal. NIPL has a 68.12% share in this coal mine. We have prepared mining plans for exploiting this resource and we expect to commence production from the mine in fiscal 2010. We estimate the Dumri coal block to contribute significantly to our non-coking coal requirements for our Kandra sponge iron plant once the mine is commissioned. As of March 31, 2009 we have invested Rs.187.18 million in the development of the mines at the Rohne and Dumri coal blocks, including costs related to bank guarantees given to the Ministry of Coal. Further, in July 2009, we have been allocated another non-coking coal mine in Andal East, which has an estimated geological reserve of 700.00 million tonnes where our share of the coal is approximately 229.50 million tonnes. See "— Our Coal Mines". In addition to the coal mines, NIPL has been granted a mining lease of over 450.00 hectares in Silpunji and Kantoria in West Singhbhum, Jharkhand for iron ore and manganese ore mining. We expect the geological surveys for determining the reserves in this mining area to start in the third quarter of fiscal 2010. We intend to source our iron ore requirements, which is also an important factor in our raw material costs, from this block once this mine is commissioned. As a result, we believe we will be able to reduce our raw material expenses significantly once we start operating our mines.

Reduce our production costs by continuing to focus on captive power generation

In addition to reducing our raw material procurement costs, we intend to reduce our power and fuel costs by developing more captive power plants for our facilities. We consumed 530.79 million KW of energy at our manufacturing facilities during fiscal 2009and our power and fuel cost was Rs.1,087.90 million, or 6.22% of our total income for the same period. We currently have operational power plants that are capable of generating 71.1 MW of power. In order to further reduce our energy costs, we have commenced the development of an additional 40 MW power plant at our facility in Durgapur at an estimated cost of Rs.1,100.00 million. We expect to commission this power plant in the third quarter of fiscal 2010. As power generated by our captive power plants is less costly than power purchased from the grid, we expect that once commissioned, our own captive power plants will provide us with approximately 75.0% of our currently planned post expansion energy needs, thereby reducing our costs of production.

Move up the value chain with respect to our products

We have historically focused on producing intermediate products such as sponge iron and pig iron and we currently intend to focus on increasing the proportion of downstream value-added products in our portfolio of products. We believe we are well positioned to do this as our downstream expansion activities should be well supported by our expanding upstream capabilities. As a result, we intend to focus on increasing production of higher margin products such as TMT bars and ferro alloys to obtain more revenue from the products we sell. We are also in the process of establishing a 240,000 MT ductile pipe plant at Durgapur, at a total estimated cost of Rs.2,680.00 million to further diversify our product portfolio. We expect to complete this plant in the last quarter of fiscal 2010. We have also commenced with the development of a 300,000 MT per annum coke oven plant at a total estimated cost of Rs.2,400.00 million, which is expected to be completed by the third quarter of fiscal 2012 and a 300,000 MT rolling mill at a total estimated cost of Rs.400.00 million which is expected to be completed by the third quarter of fiscal 2011. We expect to also produce alloy steel bars and rods with our new rolling mill.

Implement our future expansion programme

We have entered into a development agreement with the government of West Bengal to set up an integrated steel plant with a total annual capacity of five million MT, a cement plant with a total annual capacity of three million MT and a captive power plant capable of generating 1,215 MW at Purulia in West Bengal. We have already secured a long term lease over 1,129.76 acres of land for this project and have commenced with certain pre-project activities. We have also received water clearance, railways traffic clearance, in-principle approval from the state electricity board for construction power plants from the respective authorities and have also applied for environmental clearances for this project. As of June 30, 2009, we have incurred Rs.562.00 million in relation to this project, including the costs for the procurement of leasehold rights for the land.

We intend to develop our Purulia plant in a modular fashion, over several phases through fiscal 2017. We intend to first develop and commission facilities for upstream products, namely sponge iron and pig iron. We envisage that the income generated from this upstream facility would provide the necessary capital for us to gradually develop our downstream capabilities at this new plant. We have also signed two memoranda of understanding with the government of Chattisgarh for setting up an integrated steel plant and power plant in Chhattisgarh. See "—Expansion and Development Programme".

Our Facilities

Our steel operations have been based in Durgapur in West Bengal. We began our expansion programme in 2006, where we merged with another Jai Balaji flagship company, SRBS, to achieve synergies within the Jai Balaji Group. Between 2007 and 2008, we made two more strategic acquisitions, namely NIPL and the steel division of HEG Limited. Our manufacturing facilities are located in the middle of India's mineral belt with relative proximity to iron ore sources and coal mines. We currently have manufacturing facilities located in four locations across West Bengal, Jharkhand and Chattisgarh. The following table sets out the annual production capacities of our facilities:

Production capacity	Durgapur, West Bengal	Ranigunj, West Bengal	Durg, Chattisgarh	Kandra, Jharkhand	Total
		(MTPA unless otherwise stated)			
Finishing lines					
TMT rods and bars	260,000	-	-	-	260,000
Ferro alloy	76,500	30,118	-	-	106,618
Intermediates					
Alloy billets	433,000	-	-	-	433,000
MS billets	373,230		100,000		473,230
Pig Iron	509,250	-	-	-	509,250
Sponge iron	120,000	105,000	120,000	160,000	445,000
Backward integration					
Coal washery	216,000	-	-	800,000	1,016,000
Sinter plant	608,256	-	-	-	608,256
Captive power plant	40 MW	18.3 MW	12.8 MW	-	71.1 MW

Coke oven

Durgapur Facility

Our Durgapur facility is an integrated steel plant. It manufactures sponge iron, pig iron, steel billets, TMT bars, and ferro alloys. The facility has an annual total capacity for saleable products comprising 120,000 MT of sponge iron; 260,000 MT of TMT bars and rods; 509,250 MT of pig iron; 373,230 MT of MS billet; 433,000 MT of alloy steel billet and 76,500 MT of ferro alloys.

The Durgapur facilities comprise the following principal plants:

- *Blast Furnace*. There are four blast furnaces, two each of 250m3 and 45m3 in volume, which are capable of producing 509,250 MT of steel and foundry grade pig iron metal on an annual basis.

- *Sponge Iron Plant*. This main plant and machinery for the production of sponge iron consist of four rotary kilns, each with a capacity of 100 MT per day and having an annual capacity totalling 120,000 MT.

- *Rolling Mill Plant*. This plant has two rolling mills comprising a heating furnace, overhead cranes for transferring billets to rolling mills and to the cooling bed, and a billet pusher system. Billets are converted into finished steel products in this plant, where we produce our TMT bars and rods aggregating to 260,000MT .

- *Steel Melting Shop*, which comprises:

  - *Induction Furnaces*. This plant comprises nine IF units with a total annual capacity of 373,230 MT with three continuous casting machines. We produce mild steel billets in the IF steel melting shop.

  - *Electric Arc Furnace*. We have one EAF unit with an annual capacity of 60 MT, one ladle furnace of 60 tonnes capacity and one four-strand billet caster which is installed in the continuous casting shop. We produce alloy and low carbon billets and blooms in this steel melting shop. The annual capacity of this EAF is 433,000 MT.

- *Ferro Alloys Plant*. This plant has three submerged arc furnaces of 16.5MVA each to produce ferro alloys (silico manganese, ferro manganese and ferro silicon) and currently has an annual capacity of 76,500 MT.

- *Captive Power Plant*. This plant comprises four units of 10 TPH waste heat recovery boilers ("**WHRB**") and 255 TPH air fluidised combustion bed boilers, each of which has associated equipment such as a feed water system, steam line, heat recovery unit, auxiliaries and control system. It is equipped with two turbo generators, each having the capacity to generate 20 MW of power. We are in the process of commissioning another turbo generator of 40 MW, which is schedule to be completed in the third quarter of fiscal 2010. This will increase the total capacity of this power plant from 40 MW to 80 MW.

- *Coal Washery*. This facility comprises a 50 TPH coal crusher and 30'X5' barrel washer for cleaning coal. This is supported by other associated services and utilities for water, electric power, storage facilities, conveyor system and ancillary facilities. We wash our coal at this washery to remove impurities, primarily ash, from coal prior to using it in the manufacturing process to improve yield.

- *Sinter Plant*. This plant processes iron ore fine into coarse grained iron ore sinter before charging it in the blast furnace and has a capacity of 608,256 MT.

- *Railway Siding*. We have commissioned two railway sidings in this plant, each of which is 2.5 kilometres in length, which extend up to our raw material yard at Barbil in Orissa and Muripar at Chattisgarh.

- *Railway Rakes*. We have invested Rs.546.00 million on four railway rakes, consisting of 61 wagons each, under a scheme with Indian Railways. Our participation in this scheme ensures that we have availability of railway wagons at a 10.00% rebate over the regular rates.

Ranigunj Facility

Our Ranigunj facility is located 28 kilometres from our Durgapur plant. This facility has an annual capacity of 105,000 MT of sponge iron and 30,118 MT of ferro alloys. Most of the sponge iron produced at this facility is transported to our Durgapur facilities as feedstock in our steel melting shops and furnaces.

The Ranigunj facility comprises the following principal plants:

- *Sponge Iron Plant*. This plant comprises seven kilns, each with a daily capacity of 50 MT to manufacture 105,000 MT of sponge iron per annum.

- *Ferro Alloys Plant*. This plant has two submerged arc furnaces each with a capacity of 9 MVA to produce ferro alloys, namely silico manganese, ferro manganese and ferro silicon. Our submerged arc furnaces currently have a combined annual capacity of 30,118 MT.

- *Captive Power Plant*. This plant comprises one turbine of 18.3 MW and seven WHRB of 5 TPH each and two other atmospheric fluidised bed combustion boilers of 30 TPH and 37 TPH.

Durg

Our Durg facility in Chattisgarh was acquired from HEG Limited in fiscal 2008. This facility has the annual capacity to produce 120,000 MT sponge iron and 100,000MT of MS billets.

The Durg facility comprises the following principal plants:

- *Sponge Iron Plant*. This plant consists of four kilns each with a daily capacity of 100MT and an annual capacity of 120,000MT.

- *Steel Melting Shop*. This plant has four IFs and a continuous casting machine for the production of MS billets with an annual capacity of 100,000MT.

- *Captive Power Plant*. Our Durg power plant has one turbine of 12.8 MW, three WHRB of 10 TPH and one atmospheric fluidised bed combustion boiler of 30 TPH.

Kandra

Our Kandra facility in Jharkhand is owned by NIPL and was acquired in fiscal 2008. This unit has a sponge iron plant, consisting of one kiln of 350 TPD, which currently has an annual capacity of 100,000 MT.

Products

Sponge Iron

Sponge iron is a solid but porous iron product made from high grade iron ore. During the manufacturing process, coal is added to reduce the oxygen content in iron ore at temperatures below the iron melting point. This process produces a metallic iron product that, when observed under a microscope, resembles a honeycomb or sponge, from which it derives its name.

Sponge iron is primarily used as feedstock in steel smelting shops and furnaces. It is used in almost all smelting and melting systems, including blast furnaces, submerged arc furnaces, open hearths, basic oxygen furnaces, IF, EAF and cupolas. The major usage of sponge iron is in the production of steel in EAF and IF. The use of sponge iron provides furnace owners with a unique flexibility in preparing their charge mix to produce better quality steel products than when using scrap steel only. We use most of our sponge iron in our own facilities and sell our surplus sponge iron in the secondary steel market, mainly to smaller, non-integrated, steel plants located in the vicinity of our facilities. In Ranigunj and Durgapur, a number of small steel manufacturers located within a 20 kilometre radius provide us with an adequate and ready market to sell our surplus sponge iron products. We believe the sponge iron we manufacture is distinct from that which is typical in the market due to its high metallic content and consistency in chemical and physical attributes. As such, we command a premium of between Rs.200.00 and Rs.300.00 per MT over our competitors. Further, we procure the raw materials for our sponge iron, namely iron ore and coal, from some of the most reliable sources in the country, which contributes to the quality of our sponge iron production. We supply sponge iron to steel manufacturing companies located within the vicinity of our facilities.

Pig Iron

Pig iron is a brittle, high carbon content product that that is usually re-melted and worked into other steel products. There are two grades of pig iron, which are graded based on the content of silicon. These are the foundry grade pig iron, which is used for casting in steel foundries and the steel grade pig iron, which is used in steel melting shops and furnaces. Pig iron is manufactured in blast furnaces by a process known as iron ore reduction. The process involves melting a mix of iron ore, manganese ore, dolomite, limestone and quartzite using low ash metallurgical coke in blast furnaces. This produces a liquid mix, called hot metal, which is solidified in casting machines to produce saleable pig iron.

Pig iron is used in cast iron foundries, steel melting shops and furnaces, depending on its grade. It is an important raw material for steel melting shops and furnaces that manufacture billets and blooms because of the high yield of iron it provides. Our pig iron is of high quality as it contains low levels of sulphur and phosphorous, which is suitable for the manufacture of ductile grades of casting. We periodically conduct chemical testing in our laboratories on every cast of pig iron that is produced to ensure consistency in the content of chemical components in our product. As a result of commissioning our alloy steel plant in fiscal 2009, and our ductile iron pipe plant, which is scheduled to be commissioned in the end of fiscal 2010, we will use most of our pig iron for our own facilities. We currently sell our surplus pig iron locally in West Bengal and in Punjab, Haryana and Uttar Pradesh.

Billets

Billets are intermediate solid steel, obtained by continuous casting of liquid metal obtained from steel melting shops through the IF route. They are known as intermediate or semi-finished steel because billets are then hot-rolled and used in the manufacture of structural or reinforcement steel used in the construction business. We manufacture alloy, non-alloy and MS billets. The manufacturing process of billets involves melting a combination of sponge iron, pig iron or steel scrap and a smaller amount of ferro alloys in a furnace. To further save power cost, we use liquid hot metal directly from our blast furnaces in our IF, in the case of alloy billets and EAF, in the case of MS billets. The liquid steel mixture obtained is then de-sulphurised in a ladle refining furnace and solidified in continuous casting machines.

We manufacture rolling and forging grade billets. Rolling billets are primarily used in hot rolling mills for the manufacture of structural steel (such as angle and channels beams) and reinforcement steel (thermo mechanically treated bars and wire rods). They are used as feedstock in rolling mills. Increased spending in the infrastructure construction sector, growth in industrial activities and rising demand in the housing sector have resulted in the setting up of numerous rolling mills and increased demand for MS billets. We use a significant portion of our rolling grade billets in our rolling mills in Durgapur for conversion into TMT bars and surplus billets are sold to prominent mills across the country. We also export some of our surplus MS billets through trade houses when international prices would result in higher profits than selling in the domestic markets. We are one of the few manufacturers who manufacture MS billets of larger sizes, which are required by many heavy structural steel rolling mills.

Ferro Alloys

Ferro alloys are manufactured in submerged arc furnaces by the smelting of manganese ore. We produce silico manganese, ferro manganese and ferro silicon at our integrated steel plants. The basic raw materials to produce silico and ferro manganese are manganese ore and high manganese slag, quartzite, dolomite, coke and coal. The basic raw materials for producing ferro silicon is quartzite and charcoal is used as a reducing agent. Ferro alloys are essential raw materials in the production of high quality special alloy steel, MS and stainless steel products and these products find a large application in steel melting shops.

Silico manganese is used by the steel industry. Ferro manganese is used by the steel industry to manufacture stainless steel products. Ferro silicon is an essential element in the manufacture of steel. It is used primarily used as an additive for de-oxidation and also as an alloying element. Ferro silicon is produced in submerged arc furnaces where heat is generated by resistance of raw materials when electrical energy is passed through carbon electrodes which is required for a chemical reaction and alloying to keep the metal in a molten state. Ferro silicon is an alloy of iron and silicon containing calcium, aluminium and carbon, among other things.

Silico manganese is a ferro alloy with high contents of manganese and silicon. It is made by heating a mixture of manganese oxide, silicon dioxide, and iron oxide, with carbon in a furnace, where the mixture will undergo a thermal decomposition reaction. It is used as a deoxidizer and an alloying element in steel.

Ferro manganese is a ferro alloy with high content of manganese. It is made by heating a mixture of manganese oxide and iron oxide, with carbon in a furnace, where the mixture will undergo a thermal decomposition reaction. It is used as a deoxidiser for steel.

To capitalise on the increased demand for ferro alloys, surplus self-generated inexpensive power and captive use of ferro alloys, we have a 51.0 MVA submerged arc furnace and have commissioned an expansion of 16.5 MVA in the second quarter of 2009.

TMT Bars

Our main finished product is our TMT bars, which are reinforced steel bars, primarily used in civil construction. These are manufactured by rolling MS billets into smaller sections. Our TMT bars are sold under the name “Balaji Shakti Thermex TMT Bars”, which we believe is an established brand in the civil construction industry. We use the “Thermex” technology developed by Hennigsdorfer Stahl Engineering GmbH (“**HSE GmbH**”) for rapid water quenching of our TMT bars, a process which adds strength to the bars. We have the rights to use the “Thermex” technology and its brand name under a licence agreement with HSE’s technology provider in India, H&K Rolling Mill Engineers Private Limited (“**H&K**”), for which we pay H&K a production volume-based royalty. The Thermex process involves passing TMT bars through a special cooling pipe system where they are “rapidly quenched” or cooled by water in a short period of time. The result of this rapid quenching is a hardened surface structure. The heat in the core of the bar then reheats the surface to an equalising temperature, which gives TMT bars added strength. TMT bar quality depends, to a large extent, on the cooling intensity and the equalising temperature level. Balaji Shakti Thermex TMT Bars are produced using our own manufactured billets, ensuring consistency in the chemical composition. Our billets are low in carbon content, which produces high ductility and improved scope for welding. Due to their ductility and strength, TMT bars can be used in all forms of concrete constructions ranging from dams and thermal projects to residences, offices and hotels.

We have set up two re-rolling mills in Durgapur for manufacturing TMT bars using the Thermex technology. We manufacture TMT bars according to the standards set by the Bureau of Indian Standards. We are one of the few manufacturers in the eastern Indian region with state of the art testing facilities such as spectrometer, X-ray fluorescence and a ultimate tensile strength machine, to ensure that our products are of the highest quality.

We sell TMT bars in bulk to government bodies and also supply to clients in the power sector for the construction of power plants.

The following table illustrates our gross sales and services income for our products for the periods indicated:

Products	Fiscal Years 2009	2008	Change
	(Rs. Millions)		(%)
TMT rods and bars	5,416.38	4,900.60	10.52
Alloy and mild steel billets	4,501.55	2,373.83	89.63
Pig iron	3,663.96	1,943.14	88.56
Ferro alloys	1,597.46	688.92	131.88
Sponge iron	1,859.21	1,026.57	81.11
Other steel items	863.95	3,570.29	(75.80)
Others*	1,050.91	565.88	85.71
Total	18,953.42	15,069.23	25.78

** Others consists of sales of scrap and by products, conversion charges, sales of raw materials, services and other charges and sales of power.*

Expansion and Development Programme

We believe that our ongoing and planned capacity expansions for our operations will allow us to enhance our competitiveness by enhancing output capacity and reducing our production costs, thereby improving our revenues and profitability. In order to realise our vision of increased growth and to further improve our cost competitiveness in the domestic steel industry, we have pursued and intend to pursue expansion at our existing facilities and greenfield projects.

The following table sets out the capacities at our facilities after our proposed expansion programmes:

Production capacity	Durgapur, West Bengal	Ranigunj, West Bengal	Durg, Chattisgarh	Kandra, Jharkhand	Total
	(MTPA unless otherwise stated)				
Finishing lines					
TMT rods and bars	260,000	-	-	-	260,000
Ductile iron pipe	240,000				240,000
Alloy Steel rods and bars	300,000				300,000
Ferro alloy	76,500	30,118	-	-	106,618
Intermediates					
Alloy billets	433,000	-	-	-	433,000
MS billets	373,230		100,000		473,230
Pig Iron	509,250	-	-	-	509,250
Sponge iron	120,000	105,000	120,000	160,000	505,000
Backward integration					
Coal washery	216,000	-	-	800,000	1,016,000
Coke oven	300,000	-	-	-	300,000
Sinter plant	608,256	-	-	-	608,256
Captive power plant	80 MW	18.3 MW	12.8 MW	-	111.1 MW

Durgapur Facility

During fiscal 2008, we undertook an expansion programme which was aimed at enhancing the capacity of our then existing upstream production capacities and reducing our cost of production. We specifically focused on expanding production lines for our finished products such as EAF, ductile pipe and ferro alloys plants. We also focused on a upstream integration process and took steps to procure coal mines, commission a sinter plant , a captive power plant, railways siding and undertake the WIS.

Our future capital expenditure is categorised into (i) the implementation of backward integration; and (ii) upgrading and enhancing the value of our existing integrated steel facility. This expansion programme includes the following:

- a 40 MW captive power plant, which is scheduled to be completed by the third quarter of fiscal 2010;
- a 240,000 MT ductile tube and pipe plant, which is scheduled to be completed by the end of fiscal 2010;

- a 300,000 MT coke oven plant, which we expect to complete by the third quarter of fiscal 2012; and
- a 300,000 MT rolling mill by the last quarter of fiscal 2011.

We expect the above expansions to require us to invest approximately Rs.4,600 million over fiscal 2010 and fiscal 2011.

Kandra Facility

During fiscal 2010, we intend to expand the production capacity of this facility by carrying out a Rs.1,300.00 million expansion programme which consists of the following additions and improvements:

- the development of the Dumri coal block, a non-coking coal mine where our share is estimated to be 38.14 million tonnes;
- a coal washery of 800,000 MT per annum; and
- a 60,000 MT per annum sponge iron plant.

As of June 30, 2009, we have invested approximately Rs.100.00 million in this project.

Greenfield Growth Projects

Purulia Facility. On October 4, 2007, we signed a development agreement with the government of West Bengal, the WBIDC and the West Bengal Mineral Development and Trading Corporation Limited ("**WBMDTC**"), for setting up an integrated steel plant with five million MT annual capacity, a cement plant of three million MT annual capacity and a captive power plant of 1,215 MW capacity in the Purulia district of West Bengal. We intend to develop our Purulia plant in a modular fashion, over several phases, beginning in fiscal 2009 through fiscal 2017, subject to the terms of the development agreement. We maintain regular discussions with the government of West Bengal on the phases of development of this project. WBIDC has leased and handed over possession of 1,129.76 acres of land to us to begin the first phase of the development of this project. We have since received water clearance, railways traffic clearance, in-principle approval from state electricity board for constructing power plants from the respective authorities and have applied for environmental clearances for this project. Under the development agreement, the government of West Bengal has agreed to assist us in the procurement of the estimated captive coal requirement, as set out in our feasibility report ("**FR**") or detailed project report ("**DPR**"), which is critical for the continuous sustainability of the Purulia plant. To this end, the government of West Bengal has identified and applied for the allocation of three coal blocks in the vicinity of the project site which the Geological Survey of India has estimated to have huge deposits of coal, in the name of WBMDTC. WBMDTC would enter into a suitable coal mining agreement with us for the exploration, mining and supply of coal for our Purulia plant. Further, the government of West Bengal will endeavour to assist us in obtaining long term supplies of the requisite amount of iron ore as set out in the FR or DPR. The government of West Bengal has also agreed to assist and facilitate the supply of water and power to the project during the construction phase and facilitate railway, road, port and air linkages to the project site.

Chattisgarh Facility. We have signed two memoranda of understanding with the government of Chhattisgarh in August 2008 for setting up an integrated steel plant and a power plant, respectively, in Chhattisgarh. This facility is still in its planning stage.

Sales and Distribution

We sell our products primarily in the Indian domestic markets. The majority of our sales contracts are short term. Domestic sales are normally conducted on the basis of a fixed price, determined from time to time. All payments by our domestic customers are in Rupees and by overseas customers in foreign currencies. We deliver our steel products to Indian customers through direct supply channels and three consignment agents in India. Our markets for our intermediate and ferro alloy products are usually located within a 50 to 100 kilometre radius of our manufacturing facilities, which enables us to save on transportation costs. This also gives our products a price advantage, where we pass on transportation costs to our customers under our sales contracts.

Sales in India

We currently sell most of our saleable steel production in the Indian market. Our domestic pricing is based on various factors, including domestic demand-supply outlook, inventory levels and prices offered by competitors.

We sell the majority of our finished steel products to the infrastructure construction industry in various sectors including the transportation, power and housing sectors and the metals industry. Our principal finished products sold in the Indian infrastructure construction industry are our TMT bars. We target government bodies, large infrastructure construction companies, real estate developers and power developers, as customers for our TMT bars. We also sell TMT bars to customers in the energy, real estate and construction sectors.

We supply ferro alloys and intermediate steel products, such as billets, to companies in the Indian metals industry. Our ferro alloy customers include a large steel company, which has facilities all over India and other steel producers in and around Durgapur and northern India. We are also the ferro alloys conversion agent for some of the largest steel companies in India where we utilise nearly 25.0% of our present ferro alloy production capacity for them. Under arrangements we have made with these companies, we will convert raw materials supplied by them to us into ferro alloys, in return for conversion fees.

We sell our intermediate products such as sponge iron and pig iron that are in excess of our own production requirements in the form of ingots to other steel plants in the domestic markets. We do not enter into any long-term contracts for the domestic sale of our metallic products.

Distribution and Marketing

Our sales and marketing activities are overseen from our head office in Kolkata. In fiscal 2009, we sold most of our finished steel products directly to our major customers. With access to private railway sidings at our plant, we have the ability to efficiently deliver large quantities of our products from our facilities to our customers' locations. As we have invested in a cost efficient logistics network, namely our own private sidings and trains for the procurement of our raw materials, we are able to utilise the same network for delivery of our products by reloading our trains with finished goods for delivery to our customers, including those in western India. This permits our customers to maintain low inventories and to rely on our delivery network. We have a marketing team of 15 personnel responsible for servicing our customers. Typically, high-volume purchasers buy directly from us, while low-volume customers buy from stockholders and our consignment agents. Stockholders purchase steel from steel producers for subsequent resale to customers. We have an active distribution chain in south India through our consignment agent Bhuwalka Sales Corporation Limited, whose sales accounted for approximately 12.0% of our total sales in fiscal 2009.

We sold approximately 29.0% of our products under the brand name "Balaji Shakti Thermex TMT Bars" in fiscal 2009.

As we increase our output of metallic products such as sponge iron and pig iron, we intend to increase our sales of the surplus of these products to other steel plants. As part of our efforts to enlarge our market share in this segment, we have a dedicated customer support team which provides consultancy and support services to solve our customers' technical and operational problems. We also have qualified and technical staff who provide technical advisory and assistance services such as suggesting ways and means to optimise sponge iron feed in furnaces to enhance steel output. This team also provides consultancy services to our customers on the usages of pig iron in foundries and for manufacturing MS billets.

Export Market

We currently sell only ferro alloys in the export markets. Ferro alloy sales are based on orders received directly from international trading houses and through local merchant exporters. We receive orders from the international markets through major international trading houses, which have worldwide as well as pan-Indian presence. We sold approximately 3,300 MT, which corresponds to 12.1% of our ferro alloy production through these trading houses in fiscal 2009. This constituted 15.4% of our ferro alloy sales in fiscal 2009. We also receive some export orders from local merchant exporters.

We currently do not focus on the export market for our other products due to higher profit margins we achieve in the domestic markets. However, we have exported small quantities of our TMT bars to customers in certain countries in Africa through export houses and we intend to establish small dealerships in Bhutan and Nepal to explore opportunities for selling our products in those countries. We also have intentions to enter the export market in the future as part of our expansion plans, if we are able to obtain better price realisations in such markets.

Raw Materials and Other Key Inputs

Iron ore

Iron ore is the primary raw material we use in our production plants and accounted for approximately 32.0% of our total raw material costs in fiscal 2009. We purchase high grade iron ore from private mines in India with iron mines in Orissa and Jharkhand, which are relatively close to our facilities in Durgapur. We procure iron ore from government-owned mining companies for our facility at Durg. Almost all of our iron ore supply contracts are short term and we purchase iron ore at market prices. We also purchase iron ore fines from these companies and from sponge iron producers in the vicinity of our facilities for use in our sinter plants.

Coking Coal

Coke is an important input in the manufacture of pig iron and accounted for approximately 35.0% of our total raw material costs in fiscal 2009. We use coke produced primarily in China, Australia and South Africa which we generally import or buy in high seas purchases. We purchase coke at spot rates. In view of increasing prices, beginning in the first half of 2008 we began procuring large quantities of coke sufficient to meet our requirements for two months each time we purchase coke. We procure between 20.0% to 25.0% of our high ash coke requirements from various small coke manufacturers in Dhanbad, West Bengal which is located approximately 100 to 125 kilometres from our facilities. We have been allocated a coking coal mine, the Rohne coal block, in consortium with JSW Steel Limited and Bhushan Steel Limited and we intend to develop this mine, which we expect will become operational and eventually provide most of our coking coal requirements by fiscal 2013.

Non-coking coal

We use non-coking coal as an important input in our sponge iron production which accounted for approximately 6.0% of our total raw material costs in fiscal 2009. We currently source our coal from the subsidiaries of Coal India Limited under five year fuel supply linkage agreements. We entered into these agreements in 2008. Under these agreements our suppliers have agreed to supply to us a fixed amount of coal on an annual basis, at spot prices at the time of the delivery of such coal to us. We wash our coal in a coal washery at our Durgapur facility to lower the ash content in the coal to achieve a higher yield. We are currently developing our own captive non-coking coal mine, the Dumri coal block, which we expect will become operational in fiscal 2010 and eventually provide up to 35.0% of our anticipated coal requirements by fiscal 2011.

Scrap Metal

Our operations consume scrap metal mainly generated as a by product from our own operations and we also purchase small quantities of scrap locally. In fiscal 2009, our operations consumed approximately 22,114.00 MT of scrap metal. The scrap iron consumption accounted for 2.34% of our raw material costs for fiscal 2009.

Other Raw Materials

In addition to iron ore and coal, our operations also consume significant quantities of manganese ore, a major raw material for our ferro alloys operations, which we source locally. We also import high grade ore from international mining companies. We source other raw materials such as limestone, quartzite and dolomite directly from mine owners in India. Other raw material costs represented approximately 13.0% of our total raw material costs for fiscal 2009.

Power

Our operations at our facilities require significant amounts of electricity. In fiscal 2009, our operations consumed 530.79 million KW-hours of energy. During the same period, our operations generated approximately 40.0% of our power needs through captive power plants located at our facilities. We purchased the rest of our power needs from Damodar Valley Corporation Limited and The Durgapur Projects Limited for our Durgapur facilities, DPSC Limited for our Ranigunj facility, Jharkhand Electricity Board for our Kandra facility and Chhattisgarh Electricity Board for our Durg facility. Our operations require significant amounts of electricity, principally because these operations produce steel through the EAF method and ferro alloys in submerged arc furnaces. See "—Facilities".

The following table sets out the average consumption of power per MT of production of our various products:

Products	2009 (KW per MT)	2008
TMT rods and bars	94	90
Alloy and mild steel billets	4,211	3,592
Pig iron	763	857
Ferro alloys	222	201
Sponge iron	94	108

Our Coal Mines

We have been allocated coal blocks in eastern India, all of which are either in the exploration or post-exploration stages.

Rohne Coal Block. On June 5, 2008, we were allocated this coking coal in consortium with JSW Steel Limited and Bhushan Steel Limited in respect of our coking coal requirements. This coal block has an estimated geological reserve of 410.00 million tonnes and a tentative extractable reserve of 250.00 million tonnes, where our share of the extractable coal is approximately 17.23 million tonnes. We have entered into a joint venture agreement with the other owners of the Rohne coal block on March 5, 2008, under which the parties will undertake the exploration of this block and the development of the mine through a special purpose vehicle, Rohne Coal Company Private Limited ("**RCCPL**"). As at June 30, 2009, we hold 6.9% of the equity share capital of this company, which is proportionate to our share in the coal reserve in this block. Under the terms of this joint venture agreement, RCCPL will undertake mining of the coal and distribute the coal exclusively to the shareholders of RCCPL on a cost only basis. We expect the Rohne coal block to start production in fiscal 2012. We anticipate that once commissioned, this mine will provide us with most of our coking coal requirements at our Durgapur facility, thereby reducing our raw material costs significantly.

Dumri Coal Block. We own this non-coking coal block through NIPL, which we acquired in August 2007. This coal block is located in Hazaribagh, Jharkhand and has an estimated proved and indicated reserve of 55.99 million tonnes of coal. NIPL was jointly allotted this coal block by the Government with Thakur on January 13, 2006. NIPL holds the principal mining rights and shares 68.12% of the block. On July 21, 2009, NIPL entered into a coal supply agreement with Thakur and Central Coalfields Limited for the mining and supply of coal from this mine to the NIPL and Thakur (through Central Coalfields Limited). This block has been explored and we have prepared mine plans with the view to commencing production at this block in fiscal 2010. As of March 31, 2009, we spent Rs.84.98 million on the exploration and development of the Dumri coal block, including the cost related to a bank guarantee given to the Ministry of Coal. We expect the Dumri coal block to contribute significantly to our non-coking coal requirements at our Kandra facility once the mine is commissioned.

Andal East Coal Block. On July 3, 2009, we were allotted a non-coking coal block in West Bengal for a captive coal mine in Andal East, West Bengal, jointly with Bhushan Steel Limited and Rashmi Cement Limited. The allocation to us was made in respect of our non-coking coal requirements at our Durgapur and Ranigunj facilities. This block has an estimated geological reserve of 700.00 million tonnes, of which our share is approximately 229.50 million tonnes. On January 21, 2009, we entered into a joint venture agreement with Bhushan Steel Limited and Rashmi Cement Limited, under which the parties agreed to explore the coal block, develop the mine and extract coal through a special purpose vehicle, intended to be called Andal East Coal Company Private Limited. We will own 32.7% of the equity shares of this company, when it is incorporated. The coal extracted from the mine shall be distributed in accordance with a supply agreement, which the parties will negotiate and sign once the special purpose vehicle has been incorporated.

Competition

We face competition from Indian steel producers that produce metallic and intermediate steel products, such as sponge iron, pig iron and billets that we produce. The markets for such upstream products are highly fragmented, and we compete with leading upstream metal producers as well as smaller producers in the respective products. The availability of multiple subsidies to small producers located in the northeastern states of India has enabled other producers from that region to manufacture at competitive costs and compete with us. In the production of finished products such as TMT bars and other products, our competitors include larger steel producers, many of whom, like us, operate integrated steel plants. The ferro alloy segment market is highly fragmented, and we compete primarily with the leading domestic ferro alloys producers as well as several smaller producers.

The factors influencing competition vary by region and end-use market, but generally, we compete on the basis of our value proposition, including price, product quality, the ability to meet customers' specifications, range of products offered, lead times, technical support and customer service. In the downstream, finished products market, we compete primarily on the basis of product quality. In some regions and end-use markets, competition is also affected by customers' requirements that suppliers complete a qualification process for their plants. This process can be rigorous and may take many months to complete. As a result, obtaining business from these customers can be a lengthy and expensive process. However, the ability to obtain and maintain these qualifications can represent a competitive advantage.

Technology, Research and Development and Intellectual Property

Like other companies in our industry, we are dependent on technical services such as know-how and basic engineering, design, engineering and drawing, procurement assistance and inspections and project monitoring, When we began our operations, we appointed various third party engineering consultancy firms to provide us with the technology necessary for the setting up of our sponge iron plants, blast furnaces, power plants, steel billet plants, rolling mills and EAF. We also use third party technology in the production of our TMT rods and bars, namely the Thermex technology.

We maintain a research and development department in Durgapur which is primarily focused on developing new technologies and new products. The main areas of research for the department currently include the reduction of coal ash content without reducing yield, the reduction of alumina in iron ore fines, the development of higher yield blast furnaces, the lowering of phosphorus in steel making vessels and developing high strength and high formability steels for automotive applications. As of June 30, 2009, we have registered the names "Jai Balaji" and "Salasar" for our TMT Bars and have obtained copyright protection of "Balaji Shakti Thermex TMT Bars".

Insurance

We maintain a range of insurance policies to cover our assets, risks and liabilities. At present, our operating assets, including our plants and facilities, are insured against a range of risks, including fire, explosion, and acts of nature such as storms and earthquakes, on the basis of the reinstatement value of such assets, calculated on the book value on the relevant assets. All of our critical equipment are insured against machinery breakdown. All our assets are insured under an industrial all risks policy and all our projects which are under implementation are covered under erection all risks policies. We also maintain marine cargo insurance, wherever applicable. All of our employees are covered against the risks of accident in the work place as required by applicable law. We also provide medical cover to eligible employees. We incurred a cost of Rs.16.19 million in fiscal 2009 in insurance premiums.

Employees

As of June 30, 2009, we had 2,601 employees on our payroll and we employed 4,500 persons on a contractual basis. Of these, approximately 6,074 were employed at our Durgapur facility. We believe in optimising our use of manpower within our existing operations and ongoing expansion plans. Our heads of departments are responsible for the preparation of annual manpower plans in consultation with our human resources department, which covers regular manpower requirements as well as casual and contractual manpower requirements.

We have undertaken a number of initiatives in recent years to increase the productivity of our employees. These initiatives included providing on-the-job technical and soft skills training programmes. We have not experienced any significant labour disputes and believe that relations with our employees are satisfactory. We have also established a training programme for our employees and we intend to continue investing in recruiting, training and maintaining a rewarding work environment.

All of our employees who work at our manufacturing facilities are registered under the Employees' State Insurance Act, 1948, and we are required to pay contributions to the Employees' State Insurance Corporation for such employees, and maintain records of such employees in accordance with this legislation. We also make contributions in respect of eligible employees under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. Approximately 4,500 of our employees were members of trade unions as of June 30, 2009, while 2,601 were non-unionised. Each of our production facilities enters into collective bargaining agreements with our trade unions. There have been no significant strikes or other cases of industrial action at any of our production facilities in our 10 year operating history. We believe our relations with our trade unions are satisfactory.

Environmental Standards

As a manufacturing company, we are required to comply with various laws, rules and regulations relating to the environment. We comply in all material respects with all environmental regulation that is applicable to us and we have licences for our operations from the various government agencies necessary to carry on our business. There are currently no proceedings pending or, to the best of our knowledge, threatened against us or any of our directors, officers or employees in relation to environmental regulations.

We are committed to minimising the environmental impact of our operations and products and we have therefore subscribed to the principles of sustainable development in all of our business activities. Our operations are subject to environmental laws and regulations of India, such as the Environment (Protection) Act, 1986, the Forest Conservation Act, 1980, the Water (Prevention and Control of Pollution) Act, 1974, the Water (Prevention and Control of Pollution) Cess Act, 1977 and the Air (Prevention and Control of Pollution) Act, 1981, which govern, among other things, air emissions, waste water discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, natural resource damages, and employee health and safety. We practise pollution prevention principles in all of our manufacturing activities and in the development of new products.

We have established procedures for regularly evaluating the applicability of environmental legislation and our compliance with this legislation. We ensure that adequate resources are available to ensure compliance. We achieve reduction in energy consumption through the adoption of new technologies and process controls during modernisation and expansion. In addition, most of our units practice the treatment and recycling of process and domestic effluents and are progressively moving towards a zero discharge operation.

As part of our expansion programme of our Durgapur and Kandra facilities, we plan to carry out the upgrade and improvement of these facilities under our existing environmental and social management systems, and to implement additional initiatives to further reduce emissions from our existing production units.

Health and Safety

We are subject to extensive, evolving and increasingly stringent safety and health laws and regulations governing our manufacturing processes and facilities. Such laws and regulations address, among other things, air handling, storage, transportation, treatment and disposal of chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. To help maintain the health and safety of our employees, we provide employees with periodic safety check-ups, safety equipment. We also have safety manuals and an environment, health and safety ("**EHS**") code of ethics which aim to highlight and caution our employees and contractors on the hazards at our facilities. We continuously update and distribute our EHS code of ethics and safety manuals to our employees and contractor. Our safety manual covers matters such as, among other matters, best practices on the safe handling of liquid steel and conveyors, electrical equipment, hand tools and fire safety procedures.

REGULATIONS AND POLICIES

Mines

The Mines and Minerals (Development and Regulations) Act, 1957 ("**MMDR Act**") and the Mineral Concession Rules, 1960 ("**MCR Rules**") govern mining rights and the operations of mines in India.

Mining leases are granted under the MMDR Act, which was enacted to provide for the development and regulation of mines and minerals under the control of the Indian Government. A mining lease must be executed with the relevant State Government. The mining lease agreement governs the terms on which the lessee can use the land for the purposes of mining operations. If the land on which a mine is located belongs to a private party, the lessee would have to acquire the surface rights from such private party. If the private party refuses to grant such surface rights, the lessee is to inform the relevant State Government of the refusal and deposit an amount as compensation for the acquisition of the surface rights with such State Government. If the State Government deems that the compensatory amount is fair and reasonable, then it will order the private party to permit the lessee to enter the land and carry out such operations as may be necessary for the purpose of the mining lease. For determining compensation to be paid to a private party, the State Governments are guided by the principles of the Land Acquisition Act, 1894. In case of Indian Government land, the surface rights to operate in the lease area are granted by the State Government through the mining lease.

If the mining operation in respect of any mining lease leads to a displacement of people, the mining project may operate only after obtaining the consent of such affected persons. The resettlement and rehabilitation of the persons displaced by the mining operations, and payment of other benefits to them (including payment for the acquired land), is required to be carried out in accordance with the guidelines of the relevant State Government. Applications for a mining lease must be made with the relevant State Government along with the proposed mining plan and must contain certain details in accordance with the MCR Rules. In respect of iron ore, coal and other minerals listed in the First Schedule of the MMDR Act, prior approval of the Indian Government is required for the relevant State Government to enter into a mining lease. The approval of the Indian Government is granted on the basis of the recommendations of the relevant State Government; however, the Indian Government has the discretion to disregard such recommendation. The approval of the Indian Government is also based on the approval of the plan for the mine by the Indian Bureau of Mines. On receiving the clearance of the Indian Government, the State Government grants the final mining lease. Furthermore, pursuant to Section 6 of the MMDR Act, in a state (province) one person cannot acquire one or more mining leases covering a total area of more than 10 square kilometres. The mining of coal is governed by the Coal Mines (Nationalization) Act, 1973, which provides that no private entity other than a company engaged in (1) the production of iron and steel; (2) generation of power; (3) washing of coal obtained from a mine; or (4) such other end uses as the Indian Government may by notification specify, can be granted a lease for mining of coal.

The maximum term for which a mining lease may be granted varies, but for iron ore mines it is currently 30 years. A mining lease may be renewed for further periods of 20 years or for a lesser period at the request of the lessee, provided that for any renewal after the first renewal the State Government must consult the Controller General of the Indian Bureau of Mines prior to granting the approval. For coal-mine leases, the prior approval of the Indian Government is also required for any renewal, while in the case of iron ore mine leases, only the approval of the applicable State Government is required. Renewals are subject to the lessee not being in breach of any applicable laws, including environmental laws. The lessee must apply to the relevant State Government for renewal of the mining lease at least one year prior to the expiry of the lease. In the event that the State Government does not pass any orders in relation to an application for renewal prior to the expiry of the lease, the lease will be deemed to be extended until the State Government passes an order on the application for renewal.

Further, where any person has made an application for a mining lease in respect of minerals not specified in an existing mining lease held by another party, the State Government will notify the person who already holds that mining lease. If the existing lessee applies for a prospecting licence or mining lease in respect of the newly discovered minerals within six months of the date of communication of such information by the State Government, then the existing lessee shall have preference in respect of such grant.

The MMDR Act also deals with the measures required to be taken by the lessee for the protection of the environment from any adverse effects of mining. The rules framed under the MMDR Act provide that every holder of a mining lease shall take all possible precautions for the protection of the environment and control of pollution while conducting mining operations in the area. The environmental protection measures touch upon a variety of matters, including prevention of water pollution, measures in respect of surface water, total suspended solids, ground water pH, chemicals and suspended particulate matter in respect of air pollution, noise levels, slope stability and impact on flora, fauna and local habitation.

The MCR Rules also provide the framework for the closure of mines by a lessee. The lessee is required to submit a final mine closure plan to the Regional Controller of Mines or an officer authorised by the State Government for approval one year prior to the proposed closure of the mine. The Regional Controller of Mines or the authorised State Government officer conveys the approval or refusal of such final mine closure plan. The mining closure plan must contain protective measures, including reclamation and rehabilitation work, and the lessee has the responsibility of carrying out such work. If such work is not carried out to the satisfaction of the Regional Controller of Mines or the authorised State Government officer, the lessee will be liable to forfeit the financial assurance that it has to furnish, with such financial assurance being computed in accordance with a formula provided in the MCR Rules.

The Indian Government is considering the announcement of a new mining and mineral policy, based on the recommendations of a committee charged with reviewing the Indian Government's current mining lease allocation practices. Under such a new governmental policy, the Indian Government may increase the royalty payable on existing mining leases, limit the renewal of existing mining leases and limit or abolish the allocation of new mining leases to steel producers, such as the Company.

Royalty Payable

Royalties on minerals extracted and a dead rent component are payable to the relevant State Government by the lessee in accordance with the MMDR Act. The royalty is payable in respect of an operating mine that has started extracting minerals and is computed in accordance with a stipulated formula. The Indian Government has broad powers to change the royalty scheme, but may not do so more than once every three years.

In addition, the lessee will be liable to pay the occupier of the surface of the land over which it holds the mining lease an annual compensation determined by the relevant State Government, which varies depending on whether the land is agricultural or non-agricultural.

Other mining laws and regulations that may be applicable to the Company include the following: Mineral Conservation and Development Rules, 1988 ("**MCDR Rules**"); Mining Lease (Modification of Terms) Rules, 1956; The Mines Act, 1952 and Mines Rules, 1955; The Payment of Wages (Mines) Rules, 1956; and Metalliferous Mine Regulations, 1961.

National Mineral Policy, 2008

The Indian Government approved the National Mineral Policy, 2008, ("**NMP**") on March 13, 2008, revisiting the previous National Mineral Policy, 1993, and has given its approval for the setting up of the Mining Administrative Appellate Tribunal as an independent dispute resolution authority.

The NMP highlights the importance of ensuring that regional and detailed exploration is carried out systematically in the entire geologically conducive mineral-bearing area of the country, using state-of-the-art techniques in a time-efficient manner. The NMP calls for the maximisation of extraction of mineral resources, located through exploration, using scientific methods of mining, beneficiation and economic utilisation. The NMP also promotes zero waste mining and calls for an upgrade in existing mining technology. It proposes to freely allow the import of mining machinery and equipments and also strengthen indigenous industry for their manufacturing.

The NMP proposes to facilitate financing and funding of mining activities and development of mining infrastructure based on the principle of user charges and public private partnerships. It aims to develop manpower through education and specialised training, making the regulatory environment conducive to investment and technology flow. Under the NMP, efforts will be made to attune indigenous industry to the international economic situation in order to derive maximum advantage from foreign trade by anticipating technology and demand changes in international markets. Cooperation with countries with complementary resource bases will be developed. Efforts will be made to export minerals in a value-added form. A long-term export policy would provide stability and prove to be an incentive for investing in large-scale mining activities. It may also provide for assurances on exports, which is a key factor for investment decisions, particularly for foreign direct investment in the sector.

The NMP aims to provide a framework of sustainable development designed to take care of bio diversity issues, restoration of ecological balance, protection of environment and proper relief and rehabilitation of people displaced and affected by the mining process.

A bill may be introduced in the Indian Parliament to bring suitable amendments in the MMDR Act, the MCR Rules and the MCDR Rules, harmonising them with the basic features of the NMP. In the future, the core function of the state in mining will be facilitation and regulation of exploration and mining activities of investors and entrepreneurs, provision of infrastructure and tax collection. The NMP also proposes an arm's length distance between the state agencies that mine and those that regulate.

West Bengal Incentive Scheme, 2000

The West Bengal Incentive Scheme, 2000 ("**WBIS 2000**") was introduced by the Government of West Bengal, Commerce & Industries Department and Cottage & Small Scale Industries Department for providing fiscal incentives to industrial projects of large, medium and small scale units in the State of West Bengal. The WBIS 2000 came into effect on January 01, 2000. Under the WBIS 2000, Industrial Promotion Assistance (IPA) is granted to the projects equivalent to 75% of the Value Added Tax and Central Sales Tax paid in the previous year for a maximum period of 15 years from the date of commercial production subject to a cap of 100% of the fixed capital investment.

Though the WBIS 2000 has been phased out and replaced initially by the West Bengal State Support for Industries Scheme, 2004 and subsequently by the West Bengal State Support for Industries Scheme, 2008, the Company currently avails its accrued benefits under the WBIS 2000.

West Bengal Incentive Scheme, 2004

On March 24, 2004, the Government of West Bengal amended the WBIS 2000 and released the West Bengal Incentive Scheme, 2004 ("**WBIS 2004**"). The WBIS 2004 came into effect on April 01, 2004 and was valid for a period of 5 years ending March 31, 2009. The WBIS 2004 was made applicable to all large and small scale projects, tourism units in the large and small scale sector and expansion project of existing units on or after April 01, 2004 in both private and public sectors. The incentives available under the WBIS 2004 are *inter alia* state capital investment subsidy, interest subsidy, waiver of electricity duty, refund of stamp duty and registration fee and incentives for approved expansion project of an existing unit.

Under the state capital investment subsidy, eligible units set up in the State of West Bengal on or after April 01, 2004 are entitled to state capital investment subsidy at the rate of 7.5% of the fixed capital investment subject to a limit of Rs. 15 million or at the rate of 10% of the fixed capital investment subject to a limit of Rs. 25 million depending upon the area in which the unit operates.

Under the interest subsidy, an eligible unit is entitled to interest subsidy to the extent of 25% of the annual interest liability on the term loan borrowed from a commercial bank or a financial institution, for implementation of the approved project, subject to a limit of Rs. 10 million per year, for a period of 5 years or 7 years, depending on the location of the unit.

Under the waiver of electricity duty, an eligible unit for its approved project is entitled to a waiver of electricity duty on the electricity consumed for its production or operations for a period of 5 years from the date of commercial production or operation.

Wagon Investment Scheme ("WIS")

The Government of India, Ministry of Railways, has on February 26, 2005 introduced the WIS. Under the WIS, investors investing in railway wagons are assured supply of a guaranteed number of rakes every month based on the number of rakes procured and the turn round of the type of wagons with 10% concession in freight. In addition, two bonus rakes per month are supplied without freight concession or penalty. Investors opting for engine on load scheme get an additional bonus supply of two BG rakes per month without concession in freight. This guaranteed supply is in addition to normal supply of rakes to such customers.

Under the WIS, the wagons must be procured by the investor either directly from builders approved by Ministry of Railways, subject to the Indian railways standard designs and specifications or through the Indian railways. Wagons may also be procured through wagon builder of a foreign country subject to Indian railways standard designs and specifications and subject to inspection by nominated agency of Indian railways. Further, no lease charges or maintenance charges shall be payable by the investors under the WIS. Free time and demurrage rules applicable to Indian railway owned wagons will be applicable to wagons procured under the WIS.

The West Bengal Incentive to Power Intensive Industries Scheme 2005 ("Power Incentive Scheme")

The Power Incentive Scheme was introduced by the Government of West Bengal, Department of Power to provide incentives to power intensive industries to new and expanding industries in certain designated areas of West Bengal by way of re-imbursement of part of the net energy charges for a certain period. The Power Incentive Scheme came into effect on April 01, 2004 and is applicable to all large scale new units and for expansion of existing units on or after July 16, 2004 drawing power from the West Bengal State Electricity Board. The incentive under the Power Incentive Scheme is calculated at different percentages on the energy charge based on the load factor, a concession on contractual demand is given at the rate of 2% of the energy charge and a rebate on payment through letter of credit at the rate of 2% is given on the total billed amount for a period of six years from the start of commercial production.

Compliance with Other Applicable Laws

The Company is also required to obtain clearances under the Environment (Protection) Act, 1986, the Forest (Conservation) Act, 1980, if any forest land is involved, and other environmental laws such as the Water (Prevention and Control of Pollution) Act, 1974, the Water (Prevention and Control of Pollution) Cess Act, 1977 and the Air (Prevention and Control of Pollution) Act, 1981, before commencing mining operations. To obtain an environmental clearance, a no-objection certificate from the concerned state pollution control board must first be obtained. Such certificate is granted after a notified public hearing, submission and approval of an environmental impact assessment ("**EIA**") report and an environment management plan ("**EMP**"). The EIA report spells out all the operating parameters including, for example, the pollution load as well as any mitigating measures for that particular mine. Mining activity within a forest area is not permitted under the provisions of the Forest (Conservation) Act, 1980. Final clearance in respect of both forest and environment regulation is given by the Indian Government, through the Ministry of Environment and Forest. However, all applications must be made through the relevant State Government, which then recommends the application to the Indian Government. The penalties for non-compliance include closure or prohibition of mining activity as well as the power to stop the supply of energy, water or other services. Monetary penalties and imprisonment of the persons responsible for the conduct of the business of the company is also possible, in accordance with the terms of the Environment (Protection) Act, 1986 and the Forest Conservation Act, 1980.

The Company must also comply at all times with the provisions of the Hazardous Waste (Management and Handling) Rules, 1989 and the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989. The Company also frequently obtains approvals under various other legislations including the Boilers Act, 1923. In addition, the Company must comply with other statutes, such as the Factories Act, 1948 and labour laws.

Water (Prevention and Control of Pollution) Act, 1974

The lessee is required to comply with the provisions of the Water (Prevention and Control of Pollution) Act, 1974, which is aimed at prevention and control of water pollution as well as restoration of water quality through the establishment of state pollution control boards. Under the provisions of this Act, any individual, industry or institution discharging industrial or domestic wastewater is required to apply to obtain the consent of the state pollution control board. The consent to operate is granted for a specific period after which the conditions stipulated at the time of granting consent are reviewed by the state pollution control board. Even before the expiry of the consent period, the state pollution control board is authorised to carry out random checks on any industry to verify if the standards prescribed are being complied with by the industry. In the event of non-compliance, and after serving notice to the concerned person, the state pollution control board may close the mine or withdraw water supply to the mine or cause magistrates to pass injunctions to restrain such polluters.

Water (Prevention and Control of Pollution) Cess Act, 1977

Mining is a specified industry under the Water (Prevention and Control of Pollution) Cess Act, 1977 and the lessee is required to pay the cess as per the terms of the act. The state-level assessing authority levies and collects cess based on the amount of water consumed by such industries. The rate is also based on the purpose for which the water is used. Based on the cess returns to be furnished by the industry every month, the amount of cess is evaluated by the assessing authorities.

The lessee can draw water from bore wells or from water harvested in open pits within the lease area. However, cess under the Water (Prevention and Control of Pollution) Cess Act, 1977 is to be paid by a company to the State Government of the state in which the mine is located.

Air (Prevention and Control of Pollution) Act, 1981

The lessee is also required to comply with the provisions of the Air (Prevention and Control of Pollution) Act, 1981. The terms of the act provide that any individual, industry or institution responsible for emitting smoke or gases by way of the use of fuel or chemical reactions must apply for and obtain consent from the state pollution control board prior to commencing any mining activity. The board is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

For ensuring the continuation of the mining operations, a yearly consent certification from the state pollution control board is required under both the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974, as discussed above.

Apart from the above, other laws and regulations that may be applicable to the Company include the following:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Industries (Development and Regulation) Act, 1951;
- Factories Act, 1948;
- The Indian Boilers Act, 1923 and the Indian Boiler Regulations, 1950;
- Explosives Act, 1884;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Shops and Commercial Establishments Act; and
- Environment (Protection) Act, 1986, and Environment (Protection) Rules, 1986.

Foreign Trade Policy

Under the Foreign Trade (Development and Regulation) Act, 1992, the Indian Government is empowered to periodically formulate the Export Import Policy ("**EXIM Policy**") and amend it thereafter whenever it deems fit. All exports and imports must be in compliance with the EXIM Policy. The iron and steel industry has been extended various schemes for the promotion of exports of finished goods and imports of inputs. The major schemes available are the Duty Exemption and Remission Scheme and the Export Promotion of Capital Goods ("**EPCG**") Scheme.

The Duty Exemption Scheme enables duty free imports of inputs required for the production of exports by obtaining an advance licence.

The Duty Remission Scheme enables post export replenishment/remission of duty on inputs used in the export product. This scheme consists of the Duty Drawback Scheme ("**DBK**") and the Duty Entitlement Pass Book ("**DEPB**").

Under the DEPB Scheme exporters (on the basis of notified entitled rates) are granted duty credit, which would entitle them to import goods, except capital goods, without duty. The current DEPB rates for saleable products manufactured by the Company range from 2% to 5%.

The EPCG Scheme permits the import of capital goods at a concession rate of duty of 3% subject to additional export obligation, which is linked to the amount of duty saved at the time of import of such capital goods as per the provisions of the EXIM Policy.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods that are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification. Steel products are classified under Chapter 72 of the Central Excise Tariff Act and presently attract an ad-valorem excise duty at the rate of 8% and also an education cess of 2% over the duty element.

Customs Regulations

All imports into India are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification. The customs duty on iron and steel items falling under Chapter 72 of the Custom Tariff Act, 1975 has been reduced sharply in the last five years. The current basic custom duties on imports of raw materials range up to 10%.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Our Board of Directors is responsible for our overall management and supervision. Our Chairman & Managing Director is responsible for our day-to-day management under the supervision, direction and control of our Board of Directors.

The Articles of Association provide that until otherwise determined by a general meeting and subject to Section 252 of the Companies Act, the number of directors on our Board of Directors shall not be less than three and not more than 12. Clause 49 of our Listing Agreement with the Indian stock exchanges ("**Listing Agreement**") requires that at least half of our Board should comprise non-executive directors. In addition, Clause 49 of our Listing Agreement requires that if our Chairman is an executive member or promoter, then at least half of our Board should be independent. Our Board of Directors currently consists of 12 Directors, which includes ten non executive Directors and eight of the non-executive directors are also independent directors.

Out of the 12 Directors on the Board, three are Additional Directors. The remaining 9 Directors appointed by the shareholders, with the exception of four, may be considered for retirement or re-election at each annual general meeting. Directors who have been on the Board of Directors for the longest period are the ones that are considered for retirement.

The following table sets forth details regarding the Board of Directors as of the date of this Placement Document:

Name and Designation	Nationality	Age	Other Directorships
Aditya Jajodia (Chairman & Managing Director)	Indian	38	M/s.Enfield Suppliers Limited M/s.Shri Sarvasarai Balaji Steels Limited M/s.Shri Sumangalaya Balaji Steels Limited M/s.Jai Salasar Balaji Industries Private Limited M/s.Jai Balaji Jyoti Powertech Private Limited M/s.Jai Balaji Jyoti Steels Limited M/s.Shri Marutaye Balaji Steels Limited M/s.Nilachal Iron & Power Limited M/s.Jai Balaji Shakti Cement Limited
Sanjiv Jajodia (Whole time Director)	Indian	45	M/s. Chandi Steel Industries Limited M/s. Enfield Suppliers Limited M/s. Hari Management Limited M/s.K.D. Jajodia Steel Industries Private Limited M/s.Shri Sarvasarai Balaji Steels Limited M/s.Jai Balaji Jyoti Steels Limited M/s. Nilachal Iron and Power Limited
Rajiv Jajodia (Director)	Indian	44	M/s.Jai Balaji Jyoti Steels Limited M/s.Shri Marutaye Balaji Steels Limited M/s.Jai Salasar Balaji Industries Private Limited M/s.K. D. Jajodia Steel Industries Private Limited M/s.Shri Sarvasarai Balaji Steels Limited M/s.Shri Sumangalaya Balaji Steels Limited M/s.Jai Balaji Jyoti Powertech Private Limited M/s.Jai Balaji Shakti Cement Limited
Gourav Jajodia (Director)	Indian	28	M/s. Jain Vanijya Udyog Limited M/s.Enfield Suppliers Limited M/s.Jai Balaji Shakti Cement Limited M/s. Chandi Steel Industries Limited
Ashim Kumar Mukherjee (Independent Director)	Indian	67	M/s.Nilachal Iron & Power Limited M/s. Rohne Coal Co. Private Limited
Satish Chander Gupta (Independent Director)	Indian	62	M/s. ISMT Limited M/s. Gracious Financial Services Limited M/s. Proactive Universal Group Limited M/s. Emmsons International Limited M/s. Cordia IT Limited M/s. Solar Industries Limited M/s. Minda Management Group Limited M/s. SMC Wealth Management Services Limited M/s. Bindal Papers Limited

Name and Designation	Nationality	Age	Other Directorships
Manoj Kumar Banthia (Independent Director)	Indian	41	M/s. Vinod Kothari Consultants Private Limited M/s. Gunjal Consultants Private Limited M/s. Banthia Properties Private Limited M/s. Parsvanath Trading Private Limited
Shyam Bahadur Singh (Independent Director)	Indian	68	NIL
Vivek Chhachhi (Nominee Director)	Indian	38	M/s. Spentex Industries Limited M/s. Himadri Chemicals & Industries Limited M/s. Subhash Projects & Mkt. Limited M/s. SVIL Mines Limited
Kumar Krishnan Iyer (Nominee Director)	Indian	47	M/s. Blue Star Design & Engg. Private Limited M/s. Facet Construction Engineers Private Limited M/s. IEP Fund Advisors Private Limited
Angshuman Ghatak (Independent Director)	Indian	79	M/s. T.M. Consultants Network Private Limited
Krishnava S. Dutt (Independent Director)	Indian	34	NIL
Ajay Tandon (Alternate to Vivek Chhachhi)	Indian	40	M/s. Padmini VNA Mechatronics Private Limited M/s. ATS Services Private Limited
Supratim Banerjee (Alternate to Kumar Krishnan Iyer)	Indian	33	NIL

Biographies of the Directors

Aditya Jajodia

Aditya Jajodia received his B.COM (H) degree from St. Xavier's College, Kolkata. He has professional experience of over 15 years in the steel and power industry. He is currently the Chairman & Managing Director of the Company. He manages the financial and strategic aspects of the Jai Balaji Group. He has been a director of the Company since July 01, 1999.

Sanjiv Jajodia

Sanjiv Jojodia received his B. COM (H) degree from St. Xavier's College, Kolkata. He is currently a Whole-time Director of the Company. He supervises the overall administration of the Jai Balaji Group, including the legal, human resource, financial planning. He has been a director of the Company since May 31, 2002.

Rajiv Jajodia

Rajiv Jajodia received his B. COM (H) degree from St. Xavier's College, Kolkata. He has over 20 years of experience in the steel industry. He manages the operations of the Company. He has been a director of the Company since July 01, 1999.

Gourav Jajodia

Gourav Jajodia received his B. COM (H) degree from St. Xavier's College, Kolkata. He has over ten years of experience in the steel industry. He supervises the operations and the production process of the Company. He has been a director of the Company since January 31, 2008.

Ashim Kumar Mukherjee

Ashim Kumar Mukherjee received his B.E. (Mining) degree from BE College, Shibpur. He has a First Class Mine Manager's Certificate of Competency from Directorate General of Mines Safety to manage a Metalliferious Mine (Restricted). He was the former chairman and managing director of Orissa Minerals Development Company Limited and has over 43 years of experience in the mining industry. He is the member of Mining Engineers Association of India and Society of Geo-Science and Allied Technology, Bhubaneshwar. He has been a director of the Company since August 18, 2007.

Shyam Bahadur Singh

Shyam Bahadur Singh received his B. Sc (Metallurgical Engineering) degree from Benaras Hindu University. He has a professional experience of over 45 years in the steel industry. He was the former Managing Director of Steel Authority of India Limited's Durgapur Steel Plant and the former assistant general manager of Bokaro Steel Plant. He has been a director of the Company since December 17, 2007.

Manoj Kumar Banthia

Manoj Kumar Banthia is a commerce graduate and is also a Chartered Accountant and Company Secretary. He has been the past-chairman of the Eastern India Regional Council of Institute of Company Secretaries of India. He has an experience of over ten years in corporate laws. He has been a director of the Company since February 07, 2008.

Satish Chander Gupta

Satish Chander Gupta received his M.COM from Meerut University and a degree from Certified Associates of Indian Institute of Bankers. He is the ex-chairman and Managing Director of Punjab National Bank & Indian Overseas Bank. He has over 35 years of experience in the financial sector. He has been a director of the Company since June 30, 2008.

Vivek Chhachhi

Vivek Chhachhi received his MBA in finance from Jamnalal Bajaj Institute, Mumbai. He has over 12 years of experience in the financial sector. He is a nominee director for CVCIGP II Client Rosehill Limited and CVCIGP II Employee Rosehill Limited, the two equity investors in the Company. He has been a director of the Company since August 14, 2008. CVCIGP II Client Rosehill Limited and CVCIGP II Employee Rosehill Limited are investment holding companies of the Citigroup Venture Capital International Growth Partnership II, L.P. Citigroup Venture Capital International Growth Partnership II, L.P. is private equity fund managed by Citigroup Venture Capital International Investment G.P. Limited, an indirect wholly owned subsidiary of Citigroup Inc. CVCIGP II Client Rosehill Limited and CVCIGP II Employee Rosehill Limited are primarily engaged in the business of all forms of investments including venture capital and private equity investments.

Kumar Krishnan Iyer

Kumar Krishnan Iyer received his M.Tech from IIT, Bombay. He has professional experience of over 20 years in business strategy and project implementation and is currently the managing director of India Equity Partners Fund Advisors Private Limited. He is a nominee director for Hudson Equity Holdings Limited, one of the equity investors in the Company. He has been a director of the Company since October 30, 2008. India Equity Partners manages an India focused, long term, growth oriented private equity fund with approximately US$350 million of capital and is part of a group of over US$2 billion of affiliated funds dedicated to India.

Supratim Banerjee

Supratim Banerjee received his B.E. (Computers) from the University of Mumbai and an MBA from the Indian School of Business. He has eight years of experience in corporate finance sector. He is appointed as an alternate director to Kumar Krishnan Iyer and has been a director of the Company since April 13, 2009.

Ajay Tandon

Ajay Tandon received his B.E.(Honors)(Electrical Engineering) degree from Delhi College of Engineering and PGDM degree from the Indian Institute of Management, Ahmedabad. He has over 14 years of experience in the finance and banking sector. He is appointed as an alternate director to Vivek Chhachhi and has been a director of the Company since April 13, 2009.

Angshuman Ghatak

Angshuman Ghatak received his B.E. (Mechanical) degree from Roorkee University and has over 50 years of experience in the power sector. He is the former chairman of Damodar Valley Corporation Limited and West Bengal State Electricity Board, the ex-chairman and managing director of Durgapur Projects Limited, and was also an Executive Director (Power) of Bharat Heavy Electricals Limited. He has been a director of the Company since July 31, 2009.

Krishnava S. Dutt

Krishnava S. Dutt received his BSL and LLB degree from Symbiosis Law College, Pune in 1999 and is an advocate by profession. He has over nine years of experience in the legal profession, and principal practice areas include corporate mergers and acquisitions and private equity. He is legal counsel for numerous Indian companies and multinational corporations having a presence in India, and has been a director of the Company since August 11, 2009.

Compensation of the Directors

The table below set forth the remuneration paid to our Executive and Non-Executive Directors for the year ended March 31, 2009:

Remuneration of Executive Directors

Name	Aditya Jajodia	Sanjiv Jajodia
Designation	Chairman & Managing Director	Whole time Director
Tenure of Appointment	From July 23, 2007 for a period of 5 years	From May 01, 2008 for a period of years
Annual Remuneration	Rs. 9,000,000	Rs. 7,200,000
Perquisites	Rs. 5,400,000 plus other benefits	Rs. 4,680,000 plus other benefits
Commission	Nil	Nil

Other non–executive directors are paid sitting fees of Rs. 5,000 per Board Meeting attended. No other compensation or remuneration is paid to non–executive directors.

Directors' Interest

The total of the interests of our Directors in our Equity Shares prior to and assuming the completion of the Issue, are set out in the table below.

Name	No. of Equity Shares held as of June 30, 2009	No. of Equity Shares held after the Issue
Aditya Jajodia	28,33,766	28,33,766
Sanjiv Jajodia	26,49,433	26,49,433
Rajiv Jajodia	15,68,333	15,68,333
Gourav Jajodia	1,07,666	1,07,666

Changes in the Board of Directors during the last three years

Name & Address	Date of Appointment	Date of Cessation	Reason
Mahesh Keyal	April 22, 2003	October 31, 2007	Resignation
Ashok Kumar Jaiswal	April 22, 2003	June 30, 2008	Resignation
Jayanta Kumar Basu	February 02, 2008	August 01, 2008	Resignation
Gaurav Mathur	February 02, 2008	October 15, 2008	Resignation
Dipti Ranjan Patnaik	January 29, 2004	April 04, 2009	Resignation
Shailendra Kumar Tamotia	October 31, 2007	June 02, 2009	Resignation

Corporate Governance

In compliance with the provisions of its Listing Agreements and the Companies Act, the Company has constituted different committees, including an Audit Committee and Shareholders'/ Investors' Grievances Committee. A brief description of each of the committees is set forth below:

Board Committees

The following committees have been constituted by our Board of Directors and the members of each committee as on July 31, 2009 are set forth below:

Name of committee	Name of members (Position held)
Audit Committee	Satish Chander Gupta (Chairman)
	Ashim Kumar Mukherjee (Member)
	Aditya Jajodia (Member)
	Vivek Chhachhi (Member)
	Kumar Krishnan Iyer (Member)
	Ajay Tandon (Member)
	Supratim Banerjee (Member)
Remuneration Committee	Ashim Kumar Mukherjee (Chairman)
	Satish Chander Gupta (Member)
	Vivek Chhachhi (Member)
	Kumar Krishnan Iyer (Member)
	Ajay Tandon (Member)
	Supratim Banerjee (Member)
Share Transfer cum Investor Grievance Committee	Ashim Kumar Mukherjee (Chairman)
	Aditya Jajodia (Member)
	Vivek Chhachhi (Member)
	Kumar Krishnan Iyer (Member)
	Ajay Tandon (Member)
	Supratim Banerjee (Member)
Management (Finance) Committee	Aditya Jajodia (Chairman)
	Sanjiv Jajodia (Member)
	Rajiv Jajodia (Member)
	Ashim Kumar Mukherjee (Member)
	Vivek Chhachhi (Member)
	Kumar Krishnan Iyer (Member)
	Ajay Tandon (Member)
	Supratim Banerjee (Member)

The Board of Directors is responsible for constituting, assigning, co-opting and fixing the terms of service for committee members of various committees. The Chairman of the Board, in consultation with our Company Secretary and the committee chairman, determines the frequency and duration of the committee meetings. Recommendations of the committees are submitted to our Board of Directors for approval. Quorum for meetings is either two members or one-third of the members of the committees, whichever is higher. In case of the above committees, two members constitute quorum.

Audit Committee

The Audit Committee comprised of five Directors, four of whom are Independent Non-Executive Directors. The Audit Committee has been mandated with the same terms of reference as specified in the revised Clause 49 of the Listing Agreement with the stock exchanges and covers all the aspects stipulated by the SEBI ICDR Regulations. The terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

Ajay Kumar Tantia, Company Secretary, is the Secretary to the Audit Committee.

Remuneration Committee

The Remuneration Committee comprised entirely of five Independent Non-Executive Directors. The Chairman of the Committee is Non Executive Director. The terms of reference of the Committee are to discuss, approve and recommend the appointment, re-appointment of Executive Directors and also to fix their remuneration packages for approval by the Board as well as the shareholders. Remuneration paid to the Directors is within the limits of Schedule XIII of the Companies Act, 1956.

Remuneration policy

The Company pays remuneration to the Chairman & Managing Director and the Whole-time Director, while Non-Executive Directors are only paid sitting fees for attending each Board Meeting. At present no sitting fees is paid for attending committee meeting. The Remuneration Committee decides on the increment of the remuneration to the Executive Directors, based on the performance of the Company as well as that of the Executive Directors.

Share Transfer cum Investor Grievance Committee

The Board has constituted the Share Transfer cum Investor Grievance Committee which as on March 31, 2009, comprised of one Promoter Executive Director and four Independent Non-Executive Directors.

The Share Transfer cum Investor Grievance Committee deals with various matters such as:

- to review and note all matters relating to the registration of transfer and transmission of shares and debentures, issue of duplicate share certificates or allotment letters and certificates for debentures in lieu of those lost/ misplaced;
- to look into the redressal of shareholders' and investors' complaints, including in relation to transfer of shares, non-receipt of balance sheet or declared dividends;
- to oversee the performance of the registrar and share transfer agents;
- to review dematerialisation and re-materialisation of the shares of the Company; and
- to comply with all such directions of SEBI, the Stock Exchanges, Ministry of Corporate Affairs and other regulator bodies with respect to shareholders, investors rights and market regulations, from time to time.

Management (Finance) Committee

The Board has constituted the Management (Finance) Committee which as on March 31, 2009, comprised of three Promoter Directors and three Independent Non-Executive Directors.

The Management (Finance) Committee deals with various matters such as:

- to assess the financial requirements of the Company;
- to approve and adopt the sanctions granted by the various banks and financial institutions for lending to the Company; and
- any other matter as referred by the Board.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2008, the Board of Directors at their meeting held on January 28, 2009 amended the existing Code of Internal Procedure and Conduct for Prevention of Insider Trading, 2002 ("**Company Code**"). The Company Code incorporates a comprehensive set of guidelines advising and cautioning management staff and other relevant business associates on the procedure to be followed while dealing in the Equity Shares and disclosure requirements in this regard.

Key Managerial Personnel

Senior Management

The Executive Directors comprised of the following members as on August 11, 2009:

Name	Position	Age
Aditya Jajodia	Chairman & Managing Director	38
Sanjiv Jajodia	Whole time Director	45

Interests of our Key Managerial Personnel

The table below sets forth the details of Equity Shares held by our key managerial personnel as at March 31, 2009:

Name	Number of Equity Shares
Aditya Jajodia	28,33,766
Sanjiv Jajodia	26,49,433
Raj Kumar Sharma	3900
Vijay Bagri	321
G. L. Bhabhra	66
Anup Kumar Agarwal	34,240
Pawan Shah	500
Anshuman Dalmia	433

Except as described above, the key managerial personnel of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business, and to the extent of their shareholding, if any, in the Company.

PRINCIPAL SHAREHOLDERS AND ORGANISATIONAL STRUCTURE

The following table contains information concerning the shareholding pattern of our Company as of June 30, 2009:

Category of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares	No of Shares Pledged or otherwise encumbered	Percentage of Shares Pledged of otherwise encumbered
Shareholding of Promoters and Promoter Group				
Indian	32,367,585	68.68	1,395,600	4.31
Foreign	-	-	-	-
Non-Promoter's Holding				
Mutual funds/UTI	1,328,033	2.82	-	-
Financial institutions/Banks	-	-	-	-
Insurance companies	-	-	-	-
Foreign Institutional Investors (FIIs)	-	-	-	-
Bodies corporate	7,465,458	15.84	-	-
Individuals	5,965,824	12.66	-	-
Overseas Corporate Bodies (OCB)	-	-	-	-
Non Resident Indians(NRI)	-	-	-	-
Shares held by Custodians (against which Depository Receipts have been issued)	-	-	-	-
Total	47,126,900	100.00	1,395,600	2.96

**On July 31, 2009 in accordance with the terms of the CVC Investment Agreement and pursuant to the resolution of the Board dated July 31, 2009, the Company converted 6,118,000 CVC CCDs into 6,118,000 Equity Shares, amounting to 11.03% of the issued and paid-up equity share capital of the Company.*

**Pursuant to the special resolution of the shareholders at an extraordinary general meeting of the Company dated January 10, 2008 and the subsequent resolution of the Board dated February 07, 2008, 300,000 warrants convertible into 300,000 Equity Shares were issued and allotted to Sai Prasad Multitrade Private Limited, and an aggregate of 9,300,000 warrants convertible into 9,300,000 Equity Shares were issued and allotted to Enfield Suppliers Limited, Hari Management Limited, Aditya Jajodia, Sanjiv Jajodia, Rajiv Jajodia, Aashish Jajodia, Rina Jajodia, Sangeeta Jajodia, Devendra Prasad Jajodia, Seema Jajodia, Kanchan Jajodia, Gaurav Jajodia and Shashi Jajodia. On August 06, 2009 the entire 9,600,000 warrants described above lapsed and the option for conversion to Equity Shares expired and pursuant to resolution of the Board dated August 11, 2009 the said warrants were cancelled.*

**On July 31, 2009 in accordance with the terms of the Hudson Investment Agreement and pursuant to the resolution of the Board dated July 31, 2009, the Company converted 2,241,000 Hudson CCDs into 2,241,000 Equity Shares, amounting to 4.04% of the issued and paid-up equity share capital of the Company.*

The following table contains information as of June 30, 2009 concerning each person in the 'public category', who we know beneficially owns 1% or more of our Equity Shares:

S.No.	Name of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares
1.	Microsec Resources Private Limited	2,213,987	4.70
2.	Suraj Khandelwal	1,692,999	3.59
3.	Reliance Capital Trustee Company Limited	1,328,033	2.82
4.	Sonata Investments Limited	1,105,000	2.34
5.	Kotak Securities Limited	1,050,434	2.23
6.	Ramnath Jhunjhunwala	750,000	1.59

Changes in Principal Shareholders

On July 31, 2009 in accordance with the terms of the CVC Investment Agreement and pursuant to the resolution of the Board dated July 31, 2009, the Company converted 6,118,000 CVC CCDs into 6,118,000 Equity Shares, amounting to 11.03% of the issued and paid-up equity share capital of the Company.

On July 31, 2009 in accordance with the terms of the Hudson Investment Agreement and pursuant to the resolution of the Board dated July 31, 2009, the Company converted 2,241,000 Hudson CCDs into 2,241,000 Equity Shares, amounting to 4.04% of the issued and paid-up equity share capital of the Company.

Pursuant to the special resolution of the shareholders at an extraordinary general meeting of the Company dated January 10, 2008 and the subsequent resolution of the Board dated February 07, 2008, 300,000 warrants convertible into 300,000 Equity Shares were issued and allotted to Sai Prasad Multitrade Private Limited, and an aggregate of 9,300,000 warrants convertible into 9,300,000 Equity Shares were issued and allotted to Enfield Suppliers Limited, Hari Management Limited, Aditya Jajodia, Sanjiv Jajodia, Rajiv Jajodia, Aashish Jajodia, Rina Jajodia, Sangeeta Jajodia, Devendra Prasad Jajodia, Seema Jajodia, Kanchan Jajodia, Gaurav Jajodia and Shashi Jajodia. On August 06, 2009 the entire 9,600,000 warrants described above lapsed and the option for conversion to Equity Shares expired and pursuant to resolution of the Board dated August 11, 2009 the said warrants were cancelled.

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and prospective investors are assumed to have apprised themselves of the same from the Company, the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager. Prospective investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. For further details, see the sections "Distribution and Solicitation Restrictions" and "Transfer Restrictions".

Qualified Institutions Placements

The Issue is being made in reliance upon Chapter VIII of the SEBI ICDR Regulations mechanism of Qualified Institutions Placements (each, a "**QIP**"), pursuant to which an Indian listed company may issue and allot Equity Shares/Fully Convertible Debentures/Partly Convertible Debentures or any other security (excluding warrants) which are convertible into or exchangeable with equity shares at a later date in a qualified institutional placement to QIBs, provided that:

- equity shares of the same class of such company are listed on a stock exchange in India that has nation-wide trading terminals; and

- such company complies with the minimum public shareholding requirements set out in the listing agreement with the stock exchange referred to above.

The Company has applied for and received the in-principle approval of the BSE, the NSE and the CSE to issue the Equity Shares to QIBs. The Company has also filed a preliminary draft of this Placement Document with the Stock Exchanges. Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Issue Price of the Equity Shares shall not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

The 'relevant date' referred to above means the date of the meeting in which the board of the company or the committee of directors duly authorised by the board of the company decides to open the Issue; 'stock exchange' means any of the recognised stock exchanges in which the equity shares of the Issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

At least 10% of the equity shares issued to QIBs must be allotted to mutual funds, provided that, if this portion, or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations.

Investors are not allowed to withdraw their Bids after the closure of the Issue.

Equity shares must be allotted within twelve months from the date of the shareholders resolution approving the qualified institutional placement. The equity shares issued pursuant to the qualified institutional placement must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations. The placement document is a private document provided to select investors through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors. A copy of the placement document is required to be filed with SEBI for record purposes within 30 days of the allotment of the securities.

Pursuant to the provisions of Section 67 of the Companies Act, for a transaction that is not a public offering, an invitation or offer may not be made to more than 49 persons.

The minimum number of allottees for each qualified institutional placement shall not be less than:
- two, where the Issue Size is less than or equal to Rs.2.5 billion; and
- five, where the Issue Size is greater than Rs.2.5 billion.

No single allottee shall be allotted more than 50% of the Issue Size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee.

The aggregate of the proposed qualified institutional placement and all previous qualified institutional placements made in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year. The issuer shall furnish a copy of the Placement Document to each stock exchange on which its equity shares are listed.

Securities allotted to a QIB pursuant to a qualified institutional placement shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India.

The Company has applied for and received the in-principle approval of the BSE, the NSE and the CSE to issue the Equity Shares to QIBs. Company has also filed a copy of the Preliminary Placement Document with the Stock Exchanges.

Issue Procedure

1. The Company and the Joint Global Coordinators and Book Runners shall circulate the Preliminary Placement Document either in electronic form or physical form to not more than 49 QIBs.

2. The Joint Global Coordinators and Book Runners shall deliver to such QIBs a Bid cum Application form (each, a "**Bid cum Application Form**"). The list of QIBs to whom the Bid cum Application Form is delivered shall be determined by the Joint Global Coordinators and Book Runners at their sole discretion. Unless the Preliminary Placement Document and Bid cum Application Form is pre-numbered serially and addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.

3. QIBs may submit their Bids/ applications through the Bid cum Application Form during the bidding period to the Joint Global Coordinators and Book Runners.

4. QIBs would have to indicate the following in the Bid cum Application Form:

   - the full official name of the QIB;
   - the number of Equity Shares bid for;
   - the price at which they are willing to apply for the Equity Shares, provided that QIBs may also indicate that they are willing to submit a Bid at "Cut-off-Price" which shall be any price as may be determined by the Company in consultation with the Joint Global Coordinators and Book Runners at or above the minimum price calculated in accordance with the Regulation 85 of the SEBI ICDR Regulations ("**Floor Price**") (being, in the case of the Company, Rs. 239.21; and
   - the details of the dematerialised account(s) to which the Equity Shares should be credited.

   Note*: *Each sub-account of an FII (where each such sub-account is duly registered with SEBI) will be considered as an individual QIB and separate Bid cum Application Forms would be required from each sub-account for submitting Bids.

5. Based on the Bid cum Application Forms received from the QIBs the Company shall decide (i) the price at which the Equity Shares will be offered ("**the Offer Price**"), which shall be at or above the Floor Price and; (ii) the number of Equity Shares to be issued, in each case, in consultation with the Joint Global Coordinators and Book Runners. The Company shall notify the Stock Exchanges of the Offer Price. On determination of the Offer Price, each QIB to whom an allocation shall be made shall be sent Confirmation of Allocation Notes (each, a "**CAN**") along with a serially numbered Placement Document either in electronic form or through physical delivery. Each CAN shall contain details of the number of Equity Shares allocated to the QIB, the details of the amounts payable by the QIB for the allocation of Equity Shares in its name and the date applicable to the respective QIB on which payment of the application monies is required to be made in respect of the Equity Shares. The decision of the Company and the Joint Global Coordinators and Book Runners in this regard shall be at their sole and absolute discretion.

6. QIBs shall make payment of the application monies to the designated bank account of the Company by the Pay-In-Date as specified in the CAN sent to the respective QIBs.

7. Upon receipt of the application monies from the QIBs, the Board of the Company will approve Allotment of the Equity Shares pursuant to a Board resolution. The Company shall not allot Equity Shares to more than 49 QIBs to whom an invitation or offer has been made. The Company will inform the Stock Exchanges of the details of the Allotment.

8. After adopting the Allotment resolution and prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs, the Company shall apply for in-principle approval of the Stock Exchanges for listing of the Equity Shares.

9. After receipt of the in-principle approval of the BSE and the NSE, the Company shall credit the Equity Shares into the Depository Participant accounts of the QIBs in accordance with the details submitted by the QIBs in the Bid cum Application Form.

10. The Company shall then apply for the final trading and listing permissions from the Stock Exchanges.

11. The Equity Shares that have been allotted and credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing permissions from both the Stock Exchanges.

12. The Stock Exchanges shall notify the final trading and listing permissions, which are ordinarily available on their websites, and the Company shall communicate the receipt of the final trading and listing permissions from the Stock Exchanges to those QIBs to whom the Equity Shares have been allotted. The Company and the Joint Global Coordinators and Book Runners shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations, and not otherwise excluded pursuant to Regulation 86 of Chapter VIII of the SEBI ICDR Regulations, are eligible to invest.

Currently, under Regulation 2(1)(zd) of the SEBI ICDR Regulations, a QIB means:

- a public financial institution as defined in Section 4A of the Companies Act;
- a scheduled commercial bank;
- a mutual fund registered with Board;
- a foreign institutional investor and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- a multilateral and bilateral development financial institution;
- a venture capital fund registered with SEBI;
- a foreign venture capital investor registered with SEBI;
- a state industrial development corporation;
- an insurance company registered with Insurance Regulatory and Development Authority (IRDA);
- a provident fund with minimum corpus of Rs.250 million;
- a pension fund with minimum corpus of Rs.250 million; and
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India.

Please note that pursuant to amendments to the SEBI regulations, a sub-account that is a foreign corporate or foreign individual is no longer included under the definition of a QIB.

Under Regulation 86 of Chapter VIII of the SEBI ICDR Regulations, no allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the promoter(s) of the Company. For this purpose, any QIB who has all or any of the following rights shall be deemed to be a person related to the promoters:

- rights under a shareholders' agreement or voting agreement entered into with promoters of the Company or persons related to the promoters of the Company;
- veto rights; or
- the right to appoint a nominee director on the Board of the Company,

unless a QIB has acquired any of these rights in its capacity as a lender to the Company and such QIB does not hold any shares in the Company.

FIIs are permitted to participate through the portfolio investment scheme in this Issue.

No single FII can hold more than 10% of the post Issue paid-up capital of the Company. 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 the Company's total issued capital or 5% of the total issued capital of the Company in case such sub account is a foreign corporate or an individual.

Currently, the aggregate FII holding in the Company cannot exceed 49% of the total issued capital of the Company. With the 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 this Placement Document no such resolution has been recommended to the Company's shareholders for approval.

The Company, the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after this Placement Document is filed with the Stock Exchanges. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs 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 or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

Note: Affiliates or associates of the Joint Global Coordinators and Book Runners and/or the Co-Book Running Lead Manager who are QIBs may participate in the Issue in compliance with applicable laws.

Application and Bidding

Bid cum Application Form

QIBs shall only use the serially numbered Bid cum Application Form supplied by the Joint Global Coordinators and Book Runners in either electronic form or by physical delivery for the purpose of making a bid in accordance with the terms of the Preliminary Placement Document and the Placement Document.

By making a Bid (including the revision thereof) for Equity Shares pursuant to the terms of the Preliminary Placement Document and the Placement Document, each QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections and paragraphs "Notice to Investors – Representation by Investors", "Distribution and Solicitation Restrictions" and "Transfer Restrictions":

a. the QIB confirms that it is a Qualified Institutional Buyer ("**QIB**") in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations, have a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

b. the QIB confirms that it is not a promoter and is not a person related to the promoters, either directly or indirectly, and its Bid does not directly or indirectly represent the promoter or promoter group or persons related to the promoters of the Company;

c. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on the Board of the Company other than that acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the promoters;

d. the QIB has no right to withdraw its Bid after the Bid Closing Date;

e. the QIB confirms that if allotted Equity Shares pursuant to this Placement Document, it shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the Stock Exchanges;

f. the QIB confirms that the QIB is eligible to Bid and hold Equity Shares so allotted and together with any Equity Shares held by the QIB prior to the Issue and the QIB further confirms that the holdings of the QIB, do not and shall not, exceed the level permissible as per any regulations applicable to the QIB;

g. the QIB confirms that the Bid would not eventually result in triggering an open offer under the Takeover Code;

h. that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the allotment to the QIB shall not exceed 50%of the aggregate amount of the Issue. For the purposes of this statement:

    i. the expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and
    ii. "Control" shall have the same meaning as is assigned to it by under Clause (c) of sub-regulation (1)of Regulation 2 of the Takeover Code..

i. The QIB shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by all Stock Exchanges.

Submission of Bid cum Application Form

All Bid cum Application Forms shall be duly completed including price and the number of Equity Shares bid. All Bid cum Application Forms duly completed along with copy of the PAN card shall be submitted to the Joint Global Coordinators and Book Runners. The Bid cum Application Form shall be submitted within the bidding Period to the Joint Global Coordinators and Book Runners either in electronic form or through physical delivery at the following address:

Name	Macquarie Capital Advisers (India) Private Limited
Address	Level 4, Earnest House, NCPA Marg, Nariman Point, Mumbai 400 021, India
Contact Person	Nitin Tandon
E-mail	maccapprojectjupiter@macquarie.com

Name	Motilal Oswal Investment Advisors (P) Limited
Address	113/114, 11th Floor, Bajaj Bhavan, Nariman Point, Mumbai 400 021, India .
Contact Person	R.Anand / Nitin Gera
E-mail	project.jupiter@motilaloswal.com

Name	Centrum Capital Limited
Address	Centrum House, CST Road,, Kalina, Santacruz (E), Mumbai 400 098, India
Contact Person	Maulik Sanghvi
E-mail	project.jupiter@centrum.co.in

The Joint Global Coordinators and Book Runners shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Building of the Book

QIBs shall submit their Bids through the Bid cum Applications Form within the Bidding Period to the Joint Global Coordinators and Book Runners who shall maintain the Book. The Joint Global Coordinators and Book Runners shall not be required to provide any written acknowledgement to the Investors.

Price discovery and allocation

The Company, in consultation with the Joint Global Coordinators and Book Runners, shall finalise the Offer Price which shall be at or above the Floor Price.

After finalisation of the Issue Price, the Company has updated the Preliminary Placement Document with the Issue details and has filed the final Placement Document with the Stock Exchanges.

Method of Allocation

The Company shall determine the allocation in consultation with the Joint Global Coordinators and Book Runners in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from QIBs at or above the Offer Price shall be grouped together to determine the total demand. Any allocation to all such QIBs will be made at the Offer Price. Allocation shall be decided by the Company in consultation with the Joint Global Coordinators and Book Runners on a discretionary basis for a maximum of 49 investors. Allocation to Mutual Funds for up to a minimum of 10% of the aggregate amount of the Issue shall be undertaken subject to valid bids being received at or above the Offer Price.

THE DECISION OF THE COMPANY ANDTHE JOINT GLOBAL COORDINATORS AND BOOK RUNNERS IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION, EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE OFFER PRICE. NEITHER THE COMPANY NOR THE JOINT GLOBAL COORDINATORS AND BOOK RUNNERS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of Equity Shares shall not be less than:

- two, where the Issue Size is less than or equal to Rs.2.5 billion; or
- five, where the Issue Size is greater than Rs.2.5 billion,

provided that no single allottee shall be allotted more than 50% of the aggregate amount of the Issue. Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this paragraph. THE DECISION OF THE COMPANY AND THE JOINT GLOBAL COORDINATORS AND BOOK RUNNERS IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL QIBS.

The maximum number of allottees of Equity Shares shall not be greater than 49 allottees.

Confirmation of Allocation Notes

Based on the Bid cum Application Forms received, the Company and the Joint Global Coordinators and Book Runners will decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them and the details of the amounts payable for Allotment of the same in their respective names shall be notified to such Investors. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date ("**Designated Date**"), being the date of credit of the Equity Shares to the investor's account, as applicable to the respective QIBs.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery alongwith the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN by the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Joint Global Coordinators and Book Runners and to pay the entire Offer Price for all the Equity Shares allocated to such QIB.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. QIBS 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. FOR THIS PURPOSE, ELIGIBLE SUB-ACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Each scheme or fund of a mutual fund will have to submit separate Application Forms. Demographic details like address, bank account etc. will be obtained from the Depositories in accordance with the demat account details given above.

By submitting the Bid cum Application Form, the QIB will be deemed to have made the representations and warranties as specified under the section, "*Notice to Investors-Representation by Investors*" and **further that such QIB shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.**

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated / allotted to them pursuant to this Issue.

Bank Account for Payment of Application Money

The Company has opened a special bank account ("**Account**") with Axis Bank Limited. Each QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the CAN.

If the payment is not made in favour of the Account within the time stipulated in the CAN, the CAN of the concerned QIBs is liable to be cancelled. In the case of cancellations or default by the QIBs, the Company and the Joint Global Coordinators and Book Runners have the right to reallocate the Equity Shares at the Offer Price among existing or new QIBs at their sole and absolute discretion.

Payment Instructions

The payment of application moneys shall be made by the QIBs in the name of "Jai Balaji Industries Limited – QIP ACCOUNT" as per the payment instructions provided in the CAN. QIBs may make payment through high value cheques or electronic fund transfer or Real Time Gross Settlement (RTGS).

Designated Date and Allotment of Equity Shares

a. The Company will endeavour to complete the allotment of Equity Shares by the probable Designated Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be allotted unless the QIBs pay the Offer Price to the Account as stated above.
b. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and allotment shall be made only in dematerialised form to QIBs. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act, 1996.
c. The Company reserves the right to cancel the Issue at any time up to allotment without assigning any reasons whatsoever.
d. Post allotment and credit of Equity Shares into the QIBs' depositories accounts, the Company will apply for trading/listing approvals from the Stock Exchanges.
e. The Payment Collection Bank shall not release the monies lying to the credit of the Special Account to the Company till such time that the Company delivers to the Payment Collection Bank the approval of the Stock Exchanges for the final listing and trading of the Equity Shares offered in this Issue.
f. In the unlikely event of any delay in the allotment or credit of the Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty will be payable by the Company or the Joint Global Coordinators and Book Runners.

Submissions to SEBI

The Company shall submit the Placement Document to SEBI within 30 days of the date of allotment for record purposes.

Other Instructions

Permanent Account Number

Each QIB should mention its Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN cards or PAN allotment letter is required to be submitted alongwith the payment for the shares allocated to the QIBs through the CAN. Without this information, the CAN will be liable to be cancelled. It is to be specifically noted that the applicant should not submit the GIR number or any other identification number instead of the PAN as the bids are liable to be rejected on this ground.

Company's Right To Reject Bids

The Company in consultation with the Joint Global Coordinators and Book Runners, may reject bids, in part or in full, without assigning any reasons whatsoever. The decisions of the Company and the Joint Global Coordinators and Book Runners in relation to a bid shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares pursuant to the Issue shall be only in a dematerialised form (i.e., not in the form of physical certificates but to be fungible and to be represented by the statement issued through the electronic mode).

a. A QIB applying for Equity Shares must have at least one beneficiary account with the depository participants of either NSDL or CDSL prior to making the bid.
b. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the depository participant) of the QIB.
c. Equity Shares in electronic form can only be traded on those stock exchanges which have electronic connectivity with NSDL and CDSL. All the stock exchanges where the Company's Equity Shares are proposed to be listed have electronic connectivity with NSDL and CDSL.
d. The trading of the Equity Shares of the Company will be in dematerialised form only for all QIBs in the demat segment of the respective exchanges.
e. The Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form on part of the QIBs.

PLACEMENT

Placement Arrangement

The Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager entered into a placement agreement with the Company, ("**Placement Agreement**") pursuant to which the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager have agreed to place, on a best effort basis, up to such number of the Company's Equity Shares, the aggregate subscription amount of which shall not exceed Rs. 4,500 million, to QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations, outside the United States, in reliance on Regulation S under the Securities Act.

The Placement Agreement provides that the obligations of the investors to pay for and accept delivery of the Equity Shares offered in this Issue is subject to the approval of certain legal matters by the counsels to the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager and to other conditions. The Placement Agreement also provides that we will indemnify the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager against certain liabilities.

Applications have been made to list the Equity Shares and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India. No Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs.

In connection with the Issue, the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Joint Global Coordinators and/or Book Runners and the Co-Book Running Lead Manager may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager may purchase Equity Shares and be allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes. See "*Offshore Derivate Instruments — P-Notes*".

The Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager and other affiliates have performed investment banking and advisory services for the Company and its affiliates from time to time for which they have received customary fees and expenses. The Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager and its affiliates and their affiliates may, from time to time, engage in transactions with and perform services for the Company in the ordinary course of their business for which they may receive customary compensation.

Lock-up

Our Company and each of the Promoters, has agreed, subject to certain exceptions, with the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager not to, directly or indirectly, (a) offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the undersigned) or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility or publicly announce any intention to enter into any such transaction; provided, however, that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares by the Promoters to the extent such sale, transfer or disposition is required by Indian law; during the period from the date of the lock-up letter and ending 60 days after the date of allotment of Equity Shares under the Issue without the prior written permission of the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

General

No action has been or will be taken in any jurisdiction by the Company or the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating in us or the Equity Shares in this Issue in any jurisdiction where action for the purpose is required. Accordingly, the Equity Shares in this Issue may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Equity Shares imposed no be issued pursuant to this Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the Joint Global Coordinators and Book Runners or the Co-Book Running Lead Manager. The Issue will be made in compliance with the SEBI ICDR Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or to be deemed to have made, as applicable, the acknowledgments and agreements as described under “Transfer Restrictions”.

United States of America

The Equity Shares are being offered and sold outside of the United States in reliance on Regulation S. The Equity Shares have not been and will not be registered under Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each purchaser of the Equity Shares will be deemed to have made the acknowledgements, representations and agreements described in the section titled “Transfer Restrictions”.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Equity Shares contemplated by this document may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares, which has been approved by a competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member Sate, all in accordance with the Prospective Directive, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances, which do not require publication of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

This Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Equity Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“**SFO**”) and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue any invitation, advertisement or other document relating to the Equity Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

The Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager have not issued, or had in their possession for the purposes of issue, and will not issue, or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore ("**SFA**") and accordingly, the Equity Shares may not be offered or sold, nor may the Equity Shares be the subject of an invitation for subscription or purchase, nor may this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 275 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Equity Shares are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or to a relevant person or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

United Arab Emirates

This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Placement Document has not been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor has the placement agent, if any, received authorisation or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell securities within the United Arab Emirates. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any securities, products or financial services may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that the Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it.

Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice. This Placement Document is for your information only and nothing in this Placement Document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

United Kingdom

The Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager:

(a) have not offered or sold, and prior to the expiry of a period of six months from the issue date of any Equity Shares, will not offer or sell any securities of the Company to persons in the United Kingdom except to “qualified investors” as defined in section 86(7) of the Financial Services and Markets Act 2000 (“**FSMA**”) or otherwise in circumstances which have not resulted in an offer to the public in the United Kingdom;

(b) have complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom; and

(c) in the United Kingdom, will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to persons that are “qualified investors” and who are (a) “investment professionals” falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“**Order**”) or (b) high net worth entities and/or other persons to whom it may lawfully be communicated falling within Article 49(2)(a) to (d) of the Order in circumstances in which section 21(1) of the FSMA does not apply to the Company.

TRANSFER RESTRICTIONS

Resale of Equity Shares, except on recognised stock exchanges, are not permitted for a period of one year from the date of allotment, pursuant to Chapter VIII of the SEBI ICDR Regulations. Investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Company's Equity Shares, and also to refer to the section "Distribution and Solicitation Restrictions".

Subject to foregoing, by accepting this Placement Document and purchasing any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed with the Company and the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager as follows:

- you have received a copy of the Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning the Company or the Equity Shares and neither the Company nor any other person responsible for this document or any part of it or the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager will have any liability for any such other information or representation;

- you are purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S and you agree that you will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;

- you are authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

- you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Equity Shares have not been and will not be registered under the Securities Act;

- you certify that either (A) you are, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and are located outside the United States (within the meaning of Regulation S) or (B) you are a broker-dealer acting on behalf of your customer and your customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S); and

- the Company, Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) the Joint Global Coordinators and Book Runners and the Co-Book Running Lead Manager on its own behalf and on behalf of the Company, and (b) to the Company, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Equity Shares are no longer accurate, you will promptly notify the Company.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above-stated restrictions will not be recognised by the Company.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents, including officially prepared materials from SEBI, the BSE and the NSE and has not been prepared or independently verified by the Company, the Joint Global Coordinators and Book Runners, the Co-Book Running Lead Manager, or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The Securities and Exchange Board of India Act, 1992 granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buy-backs of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital markets participants.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Stock Exchange Division under the Securities Contracts (Regulation) Act, 1956 (**"SCRA**") and the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**"), which along with the rules, by-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

Listing

The listing of securities on recognised Stock Exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges. Further, under the listing agreement, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of the Company's obligations under such agreement, subject to the Company receiving prior notice of the intent of the stock exchange.

The provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended ("**Delisting Regulations**") and the SCRR govern voluntary and compulsory delisting of equity shares of listed Indian companies from any of the recognised stock exchanges. A company may voluntarily delist from a stock exchange provided that (a) the securities of the company have been listed for a minimum period of three years on any recognised stock exchange, (b) the delisting has been approved by two-thirds of the public shareholders, and (c) the company, the promoter and/or the director of the company provide an exit opportunity and purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with the Delisting Regulations, provided further that the condition in (c) above may be dispensed with by SEBI if the securities remain listed on the NSE or the BSE.

In the event a company seeks to voluntarily delist from a stock exchange, it is required to provide an exit opportunity to the other shareholders ("**Delisting Offer**") and seek the in-principle approval of the stock exchange. This exit opportunity involves a price discovery process known as the "book building process". A Delisting Offer can be launched by any promoter seeking to delist the securities of the company. The Delisting Offer needs to be supported by a resolution approved by the board of directors and a resolution approved by three-fourths of the shareholders of the listed company through a postal ballot. In addition, the special resolution of the shareholders can be acted upon if, and only if, the votes cast by public shareholders in favour of the proposal amount are at least two times the number of votes cast by public shareholders against it (non-promoters and holders of depository receipts are considered non-public shareholders). Following the approval of the shareholders, the promoter would issue a public announcement (i.e. a public notice) in relation to the Delisting Offer. The offer price shall have a floor price which shall be determined in the manner provided in the Delisting Regulations.

The Delisting Regulations and the SCRR also provide the stock exchanges the power to delist the securities of companies on certain grounds, including if a company is incurring losses during the preceding three consecutive years and has negative net worth; the trading in the securities of the company has remained suspended for a minimum period of six months; the securities of a company have remained infrequently traded during the preceding three years; the company or any of its promoters or directors have been convicted for failure to comply with any provisions of the SEBI Act or the Depositories Act or rules and regulations made thereunder and awarded a penalty of not less than three years; or there has been failure to raise the public shareholdings within a specified time to the minimum level applicable to the company under its listing agreement. Any order for compulsory delisting can be made only after considering representations received from aggrieved persons.

These guidelines also provides that in the event that the securities of a company are delisted by a stock exchange, the fair value of securities shall be determined by an independent valuer appointed by the stock exchange from a panel of experts selected by the stock exchange. If a listed company is delisted by the stock exchange, the listed company can file an appeal before the Securities Appellate Tribunal. The Delisting Regulations do not permit the listing of equity shares once delisted for a period of 5 years (in a voluntary delisting) and 10 years (if the stock exchanges initiate the delisting).

The Company has entered into Listing Agreements with the Stock Exchanges. These agreements require, *inter alia,* that the Company adhere to certain corporate governance requirements, including ensuring the minimum number of independent Directors on the Board, and composition of various committees such as audit committee and remuneration committee and are subject to continuing disclosure requirements.

Any non-compliance with the terms and conditions of the Listing Agreements with the Stock Exchanges may entail the delisting of the Equity Shares from such stock exchanges, which will affect future trading of those Equity Shares.

Public Issuances of Securities and Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public issue of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI ICDR Regulations, as amended. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in the case of the Company is the Registrar of Companies located at Nizam Palace, 2nd M.S.O. Building, 2nd Floor, 234/4 A.J.C. Bose Road, Kolkata 700 020, India. A company's directors are subject to civil and criminal liability for misstatements/misrepresentations in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines through the SEBI ICDR Regulations concerning disclosures by public companies and investor protection.

Public limited companies are required under the Companies Act and SEBI guidelines to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party transactions and the management's discussion and analysis as required under the respective listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, listed companies are now required to publish unaudited financial statements (subject to a limited review by the Company's auditors) on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

Stock Exchanges

There are now approximately 20 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualisation as a measure of moving towards greater investor protection.

The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

To restrict abnormal price volatility, SEBI has instructed stock exchanges to apply the fol1owing price bands calculated at the previous day's closing price (there are no restrictions on price movements of index stocks):

Market Wide Circuit Breakers. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed the stock exchanges to apply daily circuit breakers, which do not allow transactions beyond certain price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and the circuit breakers are applied to the market for movement by 10%, 15% and 20% for two prescribed market indices: the BSE Sensex for the BSE and the Nifty for the NSE ("**NSE Nifty**"), whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in al1 equity and equity derivatives markets nationwide is halted.

Price Bands. In addition to the market-wide index based circuit breakers, there are currently in place varying individual scrip wise bands (except for scrips on which derivative products are available or scrips included in indices on which derivative products are available) of 20% either ways for all other scrips.

NSE

The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities including Government securities, debentures, public sector notes and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. The NSE does not categorise shares into groups as in the case of the BSE, except in respect of the trade-to-trade category.

On its recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid.

As of August 31, 2009, there were 1,431 companies listed whose securities were trading on the NSE, the average daily turnover of the NSE in August 2009 was Rs. 173.79 billion and the market capitalization of the NSE as of August 31, 2009 stood at Rs. 49,758.00 billion. (*Source: NSE*)

BSE

The BSE, established in 1875, is the oldest stock exchange in India. The BSE switched over to an online trading network in May 1995 and has expanded this network to over 346 cities in India. Only a member of the BSE has the right to trade in the stocks listed on the BSE.

Derivatives trading commenced on the BSE in 2000. The BSE also has wholesale and retail debt trading segments. The retail trading in Government securities commenced in June 2003.

As of September 30, 2009, there were 7,792 companies listed whose securities were trading on the BSE, the average daily turnover of the BSE in September 2009 was Rs. 62.11 billion and the market capitalization of the BSE as of September 30, 2009 stood at Rs. 57,083.38 billion. (*Source: BSE*)

CSE

The CSE was incorporated in 1908 and has its office at 07, Lyons Range, Kolkata, India. The current total membership of the CSE exceeds 900, and the number of companies listed on the CSE exceeds 3,500. The CSE was granted permanent recognition by the Central Government with effect from April 14, 1980 under the relevant provisions of the Securities Contracts (Regulation) Act, 1956. On February 26, 1997 the CSE replaced the old manual trading system with computerized on-line trading and reporting system known as C-STAR (CSE Screen Based Trading and Reporting).

Trading Hours

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:55 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays.

Stock Market Indices

S&P CNX Nifty is a diversified 50 stock index accounting for 21 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX Nifty is owned and managed by India Index Services and Products Limited (IISL), which is a joint venture between the NSE and CRISIL.

The two indices which are generally used in tracking the aggregate price movements on the BSE are SENSEX and BSE 100 Index. The BSE Sensitive Index, or the Sensex, consists of listed shares of 30 large market capitalisation companies. The companies are selected on the basis of market capitalisation, liquidity and industry representation. Sensex was first compiled in 1986 with the fiscal year ended March 31, 1979. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies including the 30 in Sensex with 1983-1984 as the base year.

Internet-Based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients to trade using brokers' Internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code, which prescribes certain thresholds or trigger points that give rise to these obligations, as applicable. Since the Company is an Indian listed company, the provisions of the Takeover Code will apply to acquisition of its equity shares.

The principal features of the Takeover Code are set forth below:

- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the equity shares or voting rights in a company (together with the company's equity shares or voting rights, if any, already held by such acquirer) is required to disclose the aggregate of his equity shareholding or voting rights in that company to the company (which in turn is required to disclose such shareholding to each of the stock exchanges on which the company's equity shares are listed) and to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to shares in the share capital of a company carrying voting rights and includes any other security which entitles a person to acquire shares with voting rights but does not include preference shares.

- A person who, together with persons acting in concert with him, holds 15% or more but less than 55% of the equity shares or voting rights in any company is required to disclose any purchase or sale representing 2% or more of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose such shareholding to each of the stock exchanges on which the company's equity shares are listed).

- Promoters or persons in control of a company are also required to make annual disclosure of their holding in a specified manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed. SEBI has recently amended the Takeover Code to make it mandatory for the promoters and promoter group of listed companies to disclose the creation and enforcement of a pledge on the equity shares held by such persons.

- An acquirer cannot acquire equity shares or voting rights which (taken together with the existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.

- No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the target company at a price not lower than the price determined in accordance with the Takeover Code.

- An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55% or more but less than 75% of the equity shares or voting rights in a company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 1 9(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) may not, either by itself or through persons acting in concert with it, acquire any additional equity shares or voting rights in the company, unless such acquirer makes an open offer to acquire a minimum of 20% of the shares or voting rights which it does not already own in the company, provided that an acquirer together with persons acting in concert may acquire additional shares or voting rights entitling him to up to 5% voting rights in a company without making a public announcement if (i) the acquisition is made through open market purchase on the stock exchanges or the increase in the shares or voting rights is pursuant to a buy-back of shares by the target company and (ii) the post acquisition shareholding of the acquirer and persons acting in concert does not exceed 75%.

- Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 1 9(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding specified in the listing agreement with the stock exchanges.

- In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting equity shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

- Further, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

- The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are "frequently" or "infrequently" traded (as defined in the Takeover Code). In case the shares of the company are frequently traded, the offer price shall be the higher of:

  - the negotiated price under the agreement for the acquisition of shares in the company;
  - the highest price paid by the acquirer or persons acting in concert with him for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement; and
  - the average of the weekly high and low of the closing prices of the shares of the company quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of public announcement, or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

- The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfil his obligations.

- The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

- The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the SICA, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a State Government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the takeover panel seeking exemption from the open offer requirements of the Takeover Code. Pursuant to a recent amendment, a listed company can apply to SEBI to waive requirements under the Takeover Code in relation to an acquisition of a listed company in circumstances where the board of the listed company has been taken over by the Government of India and there is a plan for a transparent and competitive process for the operations of the listed company.

- In addition, Chapter III of the Takeover Code, including the requirement to make a tender offer, does not apply to the acquisition of GDRs or ADRs so long as they are not converted into equity shares carrying voting rights.

Minimum Level of Public Shareholding

In order to ensure availability of floating stock of listed companies, SEBI has recently notified amendments to the listing agreement. All listed companies are required to ensure that their minimum level of public shareholding remains at or above 25%. This requirement does not apply to those companies who at the time of their initial listing had offered at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, nor to companies that have reached a size of 20,000,000 or more in terms of the number of listed shares and Rs. 10,000 million or more in terms of market capitalisation. However such listed companies are required to maintain the minimum level of public shareholding at 10% of the total number of issued ordinary shares of a class or kind for the purposes of listing. Failure to comply with this Clause in the Listing Agreement requires the listed company to delist its shares pursuant to the terms of the SEBI Delisting Guidelines and may result in penal action being taken against the listed company pursuant to the Securities and Exchange Board of India Act, 1992.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations, 1992 ("**Insider Trading Regulations**") have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trader Regulations prohibit an "insider" from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price sensitive information. The terms "unpublished" and "price-sensitive information" are defined in the Insider Trading Regulations. The Insider Trading Regulations define an "insider" to mean any person who (i) is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company or (ii) has received or has had access to such unpublished price sensitive information.

The insider is prohibited from communicating, counseling or procuring, directly or indirectly, any unpublished price sensitive information to any other person while in possession of such information. The prohibition under Regulation 3A of the Insider Trading Regulations also extends to a company dealing, while in the possession of unpublished price sensitive information, in securities of another company or its associate listed on any stock exchange and is not restricted to insiders alone. It is to be noted that recently SEBI has amended the Insider Trading Regulations to provide certain defenses to the prohibition on companies in possession of unpublished price sensitive information dealing in securities.

Unpublished means information which is not published by the Company or its agents and is not specific in nature. The Insider Trading Regulations clarify that speculative reports in print or electronic media shall not be considered as published information. Price sensitive information means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of the company, such as the periodical financial results of the company, intended declaration of dividends (both interim and final), issue of securities or buy-back of securities. Under the Insider Trading Regulations, no insider shall communicate or counsel or procure, directly or indirectly, any unpublished price-sensitive information to any other person who while in possession of such unpublished price-sensitive information shall not deal in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price sensitive information within such entities so as to minimise misuse thereof. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading, which is to be implemented by all listed companies and other such entities.

The Insider Trading Regulations require any person who holds more than 5% of the outstanding shares or voting rights in any listed company to disclose to the company the number of shares or voting rights held by such person on becoming such holder within two working days of:

(i) the receipt of intimation of allotment of shares; or

(ii) the acquisition of the shares or voting rights, as the case may be.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5% of the shares or of the voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by him and any change in shareholding or voting rights (even if such change results in the shareholding falling below 5%) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2% of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of:

(i) the receipt of intimation of allotment of the shares; or

(ii) the acquisition or the sale of the shares or voting rights.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act, 1996 which provides a legal framework for the establishment of depositaries to record ownership details and effect transfers in electronic book-entry form. SEBI framed the SEBI (Depositories and Participants) Rules and Regulations, 1996 which provide for the formation of such depositaries and the registration of participants as well as the formation of the rights and obligations of the depositaries, participants, beneficial owners and issuers. The depositary system has significantly improved the operation of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors ("**FIIs**") and other institutional investors and also notified compulsory dematerialised trading in specified scrips for all retail investors. Subsequently, SEBI has significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. Under the Depositories Act and guidelines issued by SEBI, the Company shall give the option to subscribers/shareholders to receive the security certificates and hold securities in dematerialised form with a depositary.

However, even in the case of scrips notified for compulsory dematerialised trading, investors, other than institutional investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements of reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants registered with the depositaries established under the Depositories Act, 1996. Upon delivery, the shares shall be registered in the name of the relevant depositary on the company's books and this depositary shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held by a depositary. Every person holding equity share capital of the company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company. The Companies Act requires that Indian companies making any initial public issue of securities for or in excess of Rs.100 million should issue such securities in dematerialised form.

Derivatives

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of SEBI. Derivatives products have been introduced in a phased manner in India.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to the share capital of the Company including a brief summary of some of the provisions of the Memorandum and Articles of Association of the Company and the Companies Act relating to the rights attached to the Equity Shares.

General

The authorised share capital of the Company is Rs. 1.01 billion divided into 101 million Equity Shares of Rs.10 each.

The security identification codes for the Equity Shares are as follows:

ISIN:	INE 091G01018
BSE CODE:	532976
NSE CODE:	JAIBALAJI
CSE CODE:	10020253

Articles of Association

We are governed by the Articles of Association of the Company. The Articles of Association were last amended on June 09, 2008. This amendment related to an attachment of the order dated May 09, 2008 issued on June 04, 2008 of the High Court of Judicature at Calcutta, sanctioning the scheme of arrangement between the Company and HEG Limited in relation to the transfer of the steel unit located in Chattisgarh. Table A in Schedule I of the Companies Act is not applicable to the Articles of Association.

Dividends

Under the Companies Act, unless the board of directors of a company recommend the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the board of directors. Dividends are generally declared as a percentage of the par value. The dividend recommended by our Board and approved by our shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Shares on the record date or book closure date for which such dividend is payable. The Company cannot, under the Articles of Association, declare dividend unless approved by a majority of the non Promoter Directors present at the meeting of the Board. For this purpose, 'Non Promoter Directors' means directors other than those appointed by or representing the Promoters, and includes executive and whole time Directors of the Company. In addition, as is permitted by the Articles of Association, our Board may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "book closure date" or in the case of shareholders keeping their shares in dematerialised form, whose names are entered as beneficial owners in the records of a depository, such as the NSDL and CDSL on the "record date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his shares is outstanding. Under the Articles of Association, any unpaid calls on any Shares may be adjusted out of the dividend payable to a shareholder. For details of dividend payments made by the Company, see section "Dividend and Dividend Policy".

We shall deposit any dividend we declare in a separate bank account within five days from the date of declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. We must transfer any money which remains unpaid or unclaimed for seven years from the date of such transfer to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against us or the said Fund.

Under the Companies Act, we may pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year only after we have transferred to our reserves a percentage of our profits for that year ranging between 2.5% to 10% depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital, whichever is lower; (ii) the total amount to be drawn from the accumulated profits from previous years and transferred to the reserves, may not exceed an amount equivalent to one tenth of the paid-up capital and free reserves, and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital.

Capitalisation of Reserves and Issue of Bonus Shares

The Articles of Association permit the Company to, by a resolution of our shareholders in a general meeting, to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings. The Company cannot, under the Articles of Association, issue bonus shares unless approved by a majority of the non Promoter Directors present at the meeting of the Board.

Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such conversion. The bonus issue shall be made out of free reserves built out of the genuine profits or share premium collected in cash only. The bonus issue cannot be made unless the shares in respect of which the bonus issue is made are fully paid-up. In addition, for being able to issue such bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. A company may not declare bonus shares in lieu of dividend. In order to proceed with the issue of bonus shares, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus. The issuance of bonus shares must be implemented within six months from the date of approval by the Board or the shareholders, whichever is later. Recent amendments also permit an Indian company to issue bonus shares to its non-resident shareholders, subject to the satisfaction of certain conditions.

Pre-Emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, we may increase our share capital by issuing new Shares on such terms and with such rights as we may by action of our shareholders in a general meeting determine. Such new Shares shall be offered to existing shareholders listed on the members' register on the record date or to shareholders holding shares in dematerialised form as per list provided by the depository such as NSDL and CDSL in proportion to the amount paid-up on those Shares at that date. The offer shall be made by notice specifying the number of Shares offered and the date (being not less than 30 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the Shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to us. The offer is deemed to include a right exercisable by the person concerned to renounce the Shares offered to him in favor of any other person provided that the person in whose favor such Shares have been renounced is approved by the Directors in their absolute discretion. Under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, either, if a special resolution to that effect is passed by the shareholders in a general meeting or where only a simple majority of shareholders present and voting have passed the resolution, or if the Government's permission has been granted. The issuance of the Equity Shares has been duly approved by a special resolution of our shareholders and such shareholders have waived their pre-emptive rights with respect to such Shares.

In addition, under the Articles of Association, any proposed issuance of 'Dilution Instrument' (as defined under the Investment Agreements) by the Company cannot be at a price lower than Rs. 326.90 per equity share (adjusted for any bonus, splits or other capital reorganisation) and on terms better than those on which the Subscription Debentures (as defined under the Investment Agreements) have been issued under the Investment Agreements, unless otherwise agreed by the parties to the Investment Agreements. Further, in the event the Company issues any Dilution Instrument at any time, then the CVC International and Hudson Equity Holdings Limited shall be entitled to subscribe to such number of Dilution Instruments in proportion to their equity shareholdings in the Company and shall be entitled to subscribe to its pro rata number of any Dilution Instruments not subscribed by the other shareholders. The CVC International and Hudson Equity Holdings Limited shall be entitled to acquire the Dilution Instruments on the terms on which the Company proposes to issue the Dilution Instruments to any other person. The Company shall not issue any Dilution Instrument in contravention of the applicable provisions of the CVC Investment Agreement, the Hudson Investment Agreement and the Articles of Association.

Our issued share capital may, among other things, be increased by the exercise of warrants attached to any of our securities, or individually issued which entitle the holder to subscribe for Shares or upon the conversion of convertible debentures issued. The issue of any convertible debentures or the taking of any convertible loans, other than from the Government and financial institutions, requires the approval of a special resolution of shareholders.

The Articles of Association provide that we, by a resolution passed at the general meeting, may consolidate or sub-divide our share capital, or cancel Shares which have not been taken up by any person.

Under the Companies Act, a company may issue redeemable preference shares if so authorised by the articles of association of the company. The Articles of Association give us the power to issue preference shares but: (i) no such shares shall be redeemed except out of our profits which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; (ii) no such shares shall be redeemed unless they are fully paid; (iii) the premium, if any, payable on redemption shall have been provided for out of our profits or out of our security premium account, before the shares are redeemed; (iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall 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 out of profits which would otherwise have been available for dividends; and (v) the provisions of the Companies Act relating to the reduction of the share capital of a company shall apply as if such reserve account were paid-up share capital of such company. Preference shares must be redeemable before the expiry of a period of 20 years from the date of their issue.

General Meetings of Shareholders

We must hold our annual general meeting each year within 15 months of the previous annual general meeting unless extended by the Registrar of Companies at our request for any special reason. The Board may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our paid-up capital. Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received from all shareholders entitled to vote, in the case of an annual general meeting, and from shareholders holding not less than 95% of our paid-up capital in the case of any other general meeting. Currently, we give written notices to all members and, in addition, give public notice of general meetings of shareholders in a daily newspaper of general circulation in the region of our registered office. General meetings are generally held at a place where our registered office is situated. The quorum for our general meeting is five shareholders personally present.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum, buy back of shares under the Companies Act, giving loans or extending guarantee in excess of limits prescribed under the Companies Act, and guidelines issued thereunder, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter.

Voting Rights

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll the voting rights of each shareholder entitled to vote and present in person or by proxy is in proportion to his/her/its share of paid-up equity capital of the company. Voting is by show of hands, unless a poll is ordered by the Chairman of the meeting or demanded by shareholder or shareholders holding at least 10% of the voting rights in respect of the resolution or by those holding paid-up capital of at least Rs.50,000 (i.e. 5,000 shares of Rs.10 each). The Chairman of the meeting has a casting vote.

In addition, under the Articles of Association, no action or decision relating to any of the 'Reserved Matters' (as defined under the CVC Investment Agreement) shall be taken by the Company unless approved by a majority of the non Promoter Directors present at the meeting of the Board. These 'Reserved Matters' include proposals relating to a change in the capital structure of the Company, dissolutions, winding up or liquidation of the Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require the vote of three-fourth of the members present and voting. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting. Certain instances, including dissolutions, merger or consolidation, preferential allotment of shares, and, in any case where shareholding of public financial institutions and banks exceeds 25%, appointment of statutory auditors, require a special resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting. Any of our shareholders may appoint a proxy. A proxy shall not vote except on a poll and does not have a right to speak at meetings. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings, who shall not be deemed a proxy. Such an authorised representative can vote in all respects as if a member, including on a show of hands and a poll.

The Companies Act allows for a company to issue shares with differential rights as to dividends, voting or otherwise subject to certain conditions prescribed under applicable law. In this regard, the laws require that for a company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years, the company has not defaulted in filing annual accounts and annual returns for the immediately preceding three years, the Articles of Association of the company allow for the issuance of such shares with differential voting rights and such other conditions set forth in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.

Convertible Securities/Warrants

We may issue from time to time debt instruments that are partly and fully convertible into Shares and/or warrants to purchase Shares.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our registered office. The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 is deemed to be an index of members and register and index of debenture holders. We recognise as shareholders only those persons who appear on our register of shareholders and we cannot recognise any person holding any Share or part of it upon any trust, express, implied or constructive, except as permitted by law. In the case of shares held in physical form, we register transfers of Shares on the register of shareholders upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or if there is no certificate, the letter of allotment in respect of shares to be transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the Shares. In turn, we enter the name of the depository in our records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares that are held by the depository. Transfer of beneficial ownership through a depository is exempt from any stamp duty.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time. In order to determine the shareholders entitled to dividends we keep the register of shareholders closed for approximately seven to fifteen days, generally before the annual general meeting. Under the listing regulations of the stock exchanges on which our Shares are listed, we may, upon at least 7 days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of Shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, the Company is also required to maintain a register of debenture holders.

Annual Report and Financial Results

Our audited consolidated financial statements for the relevant financial year, the directors' report and the auditors' report (collectively, the "**Annual Report**") must be laid before the annual general meeting. These also include certain other financial information of the Company, a corporate governance section and management's discussion and analysis and are made available for inspection at our registered office during normal working hours for 21 days prior to the annual general meeting.

Under the Companies Act, we must file the Annual Report with the Registrar of Companies within 30 days from the date of the annual general meeting. As required under the Listing Agreement, copies are required to be simultaneously sent to the BSE and any other exchanges on which our Shares are listed. We must also publish our financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where our registered office is situated.

We file certain information on-line, including our Annual Report, quarterly financial statements, report on corporate governance and the shareholding pattern statement, in accordance with the requirements of the listing agreement.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty. SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of shares contravenes any provisions of the SEBI Act or the regulations made thereunder or the SICA, or any other law, the Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, SEBI or a participant, direct any depository or company to rectify the register or records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer or intimation of transfer, as the case may be, is delivered to the company, the transferee may appeal to the Company Law Board seeking to register the transfer. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act 2002, the Company Law Board is proposed to be replaced with the National Company Law Tribunal with effect from a date that is yet to be notified. Further, SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal, set up under the Companies Act.

Pursuant to the listing agreements, in the event that a transfer of shares is not effected within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused by the delay.

The Companies Act provides that shares or debentures of a public listed company shall be freely transferable. However, the Articles of Association provide for certain restrictions on the transfer of shares, including granting power to the Board in certain circumstances to refuse to register or acknowledge transfer of shares or other securities issued by the Company.

A transfer may also be by transmission. Subject to the provisions of the Company's Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Articles, or his title, as the Board thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares.

Acquisition by the Company of its Own Shares

We are prohibited from acquiring our own shares unless the consequent reduction of capital is effected by an approval of at least 75% of the shareholders voting on the matter and is also sanctioned by the High Court of competent jurisdiction. However, pursuant to certain amendments to the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

(i) the buy back should be authorised by the Articles of Association of the company;
(ii) a special resolution has been passed in the general meeting of the company authorising the buy back;
(iii) the buy back is limited to 25% of the total paid-up capital and free reserves;
(iv) the ratio of debt owed by the company is not more than twice the capital and free reserves after such buy back; and
(v) the buy back is in accordance with the Securities and Exchange Board of India (buy back of Securities) Regulation, 1998.

The condition mentioned above in (ii) would not be applicable if the buy back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy back has been authorised by the Board of Directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy back and to issue same kind of Equity Shares for six months.

We are also prohibited from purchasing our own shares or specified securities directly or through any entity (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of our employees) or if we are defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act.

Liquidation Rights

Subject to the rights of creditors, workmen and of the holders of any other shares entitled by their terms of issue to preferential repayment over the Shares, in the event of our winding up, the holders of the Shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such Shares. All surplus assets after payments due to workmen, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such Shares respectively at the commencement of the winding-up.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

The following is a summary of the material Indian tax consequences of owning and disposing of Equity Shares purchased in this Issue.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

For these purposes, "Non-Resident" means a person who is not a resident in India. For purposes of the Income Tax Act, 1961 ("**Income Tax Act**"), an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

(a) a period or periods amounting to 182 days or more; or

(b) a period or periods amounting to 60 days or more and within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or

(c) in the case of a citizen of India who leaves India as a member of the crew of an Indian ship for the purposes of employment outside India, the words "60 days" in paragraph (b) above shall be substituted by words "182 days"; or

(d) in the case of a citizen of India or a person of Indian origin living abroad who visits India, the words "60 days" in paragraph (b) above shall be substituted by words "182 days".

A company is resident in India if it is formed and incorporated in accordance with the Companies Act and has its registered office in India or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

The following is based on the provisions of Indian tax laws as of the date hereof, which are subject to change, possibly on a retrospective basis.

This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular Non-Resident holders. Individual tax consequences of an investment in Equity Shares may vary for Non-Residents in various circumstances, and potential investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence. The IT Act is revised by the annual Finance Act every fiscal year. The provisions of the tax laws summarised below are based on the Finance Act 2009.

Taxation of Dividends

Dividends on shares received from an Indian company on which dividend distribution tax has been paid are exempt from tax in the hands of the shareholders. However, the Indian Company distributing dividends is subject to a distribution tax at the rate of 16.995%. Distributions of bonus shares and rights to subscribe for equity shares to Non-Residents are not a taxable event under Indian tax laws.

Income Tax Laws and Tax Treaty Benefits

The taxation of non resident in India shall be governed by the provisions of the IT Act and the tax treaty between India and the jurisdiction of the Non Residents ("**Tax Treaty**"). As per Section 90 (2) of IT Act, the provisions of IT Act would apply to the extent they are more beneficial than the provisions of applicable tax treaty.

Taxation of Capital Gains

The Tax Treaty between India and countries like the U.S. and U.K. do not limit India's ability to impose tax on capital gains. However, capital gains on the sale of Equity Shares purchased in this Issue by residents of certain other countries like Mauritius and Singapore will not be taxable in India by virtue of the provisions contained in the Tax Treaty between India and these countries.

Equity Shares held by a Non-Resident investor for a period of more than 12 months shall be treated as long-term capital assets. If the Equity Shares are held for a period of 12 months or less than 12 months, the capital gain arising on the sale thereof is to be treated as short-term capital gain.

The amount of gain on the disposition of an equity share must be computed by converting the cost of acquisition and full value of the consideration received as a result of such disposition into the same foreign currency as was initially utilised for acquisition, and the capital gains so computed in foreign currency shall be reconverted into Rupees. In respect of securities of Indian Company, purchased in foreign currency, the cost of acquisition is not allowed to be increased on account of inflation i.e. Indexation benefit is not available in such a case.

Long-Term Capital Gains

In the event that the benefits of the Tax Treaty are not available to the Non Residents or the applicable Tax treaty permits the taxation of capital gain in India incidence of tax would be as follows:

- Long term capital gains being gains on sale of listed Indian securities held for a period of more than twelve months would not be taxable in India provided Securities Transaction Tax ("**STT**") has been paid on the same;

- Long term capital gains realised on sale of listed Indian securities not routed through a recognised stock exchange in India and therefore not subject to STT would be taxed at the rate of 10.56%. The rate for short term capital gains on such transactions for non resident companies is 42.23% and for FIIs is 31.67%.

- Long term capital gains on the sale of unlisted securities will be taxed at the rate of 21.12% and short term capital gains on such transaction shall be taxed at the rate of 42.23%.

Short-Term Capital Gains

- Short-term capital gains being gains on sale of listed Indian securities held for a period of twelve months or less will be taxed at the rate of 15.84%% provided STT has been paid on the same;

- In the event that sale is otherwise than on a stock exchange and as a result no STT is paid, short-term gain is subject to tax at the rate of 42.23% in case of non resident company and 30.90% in case of non resident individual.

STT

All transactions entered on a recognised stock exchange in India will be subject to STT levied on the transaction value.

- *Delivery based transactions*

In case of purchase/sale of listed equity shares and units of an equity oriented mutual fund which is settled by way of actual delivery or transfer of the equity share/unit, STT will be levied at the rate of 0.125% on both the buyer and seller of the equity share/unit.

- *Non-delivery based transactions*

In case of sale of equity shares and units of an equity oriented mutual fund settled otherwise than by way of actual delivery or transfer of the equity share/unit, STT will be levied at the rate of 0.025% on the seller of the equity share/unit.

- *Taxability of STT*

In case of income being treated as trading income, STT paid can be claimed as deductible expenditure in computing taxable income from business.

Characterisation of the income of the Investor

It may be noted that there are contradicting judicial rulings on characterisation of income of a fund regularly trading in shares and securities in India and the confusion is expected to be clarified by the revenue authorities by providing guidance for such characterisation by way of a circular. Pending such clarification, in case the income of the Investor is characterised as business income and it is regarded to have a permanent establishment in India, the income could be taxed at the rate of 42.23%.

Tax Deduction at Source

Generally, tax, surcharge and education cess on the capital gain if any, are withheld at the source by the purchaser/person paying for the equity shares in accordance with the relevant provisions of the IT Act.

Wealth Tax and Gift Tax

No Indian wealth tax or gift tax will be payable with respect to the Equity Shares. However, as per Finance Bill,2009 any property (includes Shares and Securities) received in excess of Rs.50,000 with out consideration or inadequate consideration will be included in total Income, except for any property received from relatives.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and should not be construed as tax advice/opinion. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

LEGAL PROCEEDINGS

Except as described below, we are not involved in any legal proceedings, and no proceedings are threatened, which may have, or have had, a material adverse effect on our business, properties, financial condition or operations. We believe that the number and nature of proceedings in which we are involved is not unusual for a company of its size in the context of doing business in India.

1. By an assessment order dated June 12, 2006 passed by the Sales Tax Officer under the West Bengal Sales Tax Act, 1994, Jai Balaji Sponge Limited (erstwhile name of the Company) was directed to pay an additional sum of Rs. 24,343,985 as sales tax due and payable for the assessment year April 01, 2003 to March 31, 2004 on or before September 04, 2006. Jai Balaji Sponge Limited filed an appeal against the assessment order before the Assistant Commissioner of Commercial Taxes and the Assistant Commissioner of Commercial Taxes, by an order dated July, 08, 2008, dismissed the appeal. Jai Balaji Sponge Limited has filed a revision application before the West Bengal Commercial Taxes Appellate and Revisional Board on September 08, 2008 for quashing the order of the Assistant Commissioner of Commercial Taxes. The matter is currently pending.

2. By an assessment order dated June 12, 2006 passed by the Sales Tax Officer under the Central Sales Tax Act, 1956, Jai Balaji Sponge Limited (erstwhile name of the Company) was directed to pay an additional sum of Rs. 49,376,253 as sales tax due and payable for the assessment year April 01, 2003 to March 31, 2004 on or before September 04, 2006. Jai Balaji Sponge Limited filed an appeal against the assessment order before the Assistant Commissioner of Commercial Taxes and the Assistant Commissioner of Commercial Taxes, by an order dated July, 08, 2008, dismissed the appeal. Jai Balaji Sponge Limited has filed a revision application before the West Bengal Commercial Taxes Appellate and Revisional Board on September 08, 2008 for quashing the order of the Assistant Commissioner of Commercial Taxes. The matter is currently pending.

3. By an assessment order dated May 11, 2007 passed by the Assistant Commissioner of Sales Tax (Corporate Division) under the West Bengal Sales Tax Act, 1994, Sri Ramrupai Balaji Steels Limited (erstwhile entity of the Company) was directed to pay an additional sum of Rs. 106,510,891 as sales tax due and payable for the assessment year April 01, 2004 to March 31, 2005 on or before July 03, 2007. Sri Ramrupai Balaji Steels Limited has filed an appeal against the assessment order before the Deputy Commissioner of Commercial Taxes (Corporate Division), Government of West Bengal on June 25, 2007. The matter is currently pending.

4. By an assessment order dated November 27, 2008 passed by the Assistant Commissioner of Sales Tax, Government of West Bengal under the West Bengal Value Added Tax Act, 2003, the Company (on account of its erstwhile name Jai Balaji Sponge Limited) was directed to pay an additional sum of Rs. 416,834,526 as sales tax due and payable for the assessment year April 01, 2005 to March 31, 2006, on or before February 05, 2009. The Company has filed an appeal against the assessment order before the Deputy Commissioner of Sales Tax, Government of West Bengal on January 20, 2009. The matter is currently pending.

5. By an assessment order dated November 27, 2008 passed by the Assistant Commissioner of Sales Tax, Government of West Bengal under the West Bengal Value Added Tax Act, 2003, the Company (on account of its erstwhile entity Sri Ramrupai Balaji Steels Limited) was directed to pay an additional sum of Rs. 460,942,172 as sales tax due and payable for the assessment year April 01, 2005 to March 31, 2006, on or before February 05, 2009. The Company has filed an appeal against the assessment order before the Deputy Commissioner of Sales Tax, Government of West Bengal on January 20, 2009. The matter is currently pending.

6. By a show cause notice dated July 09, 2008, the Commissioner of Central Excise, Bolpur, West Bengal, has directed the Company (on behalf of its erstwhile entity Sri Ramrupai Balaji Steels Limited) to show cause as to why the Central Excise Department should not recover an amount of Rs. 48,056,766 excluding applicable interest and penalty from the Company for contravening Rule 2, 3, 4 and 6 of the Cenvat Credit Rules, 2002 and the Cenvat Credit Rules, 2004. The notice states that the Company irregularly availed cenvat credit of duty paid on certain items used for manufacturing capital goods, and utilised such cenvat credit to pay central excise duty on finished goods during the period 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08. The Company replied to the show cause notice on September 08, 2008 and stated that the Company has not contravened Rule 2, 3, 4 and 6 of the Cenvat Credit Rules, 2002 and the Cenvat Credit Rules, 2004 and requested for a personal hearing on the matter. The Commissioner of Central Excise, Bolpur, West Bengal, confirmed the demand along with interest and penalty. The Company has, on August 21, 2009, filed its appeal against the order with the Customs, Excise and Service Tax Appellate Tribunal, East Zonal Bench, Kolkata, West Bengal. The matter is currently pending.

7. By an order dated November 04, 2008, the Commissioner of Central Excise, Bolpur, West Bengal has directed the Company (on behalf of its erstwhile entity Sri Ramrupai Balaji Steels Limited) to pay an amount of Rs. 28,951,736 excluding applicable interest on account of the Company contravening Rules 4, 5 and 8 of the Central Excise Rules, 2002 read with Notification No. 67/95-CE dated March 16, 1995. The Commissioner of Central Excise, in the order dated November 25, 2008, ruled that the Company evaded central excise duty of Rs. 14,475,868 during the period beginning May 2006 and ending December 2007 and directed the Company to pay the applicable duty and an equivalent amount as penalty. The Company has, on March 13, 2009, filed its appeal along with a stay petition of even date, against the order, before the Customs, Excise and Service Tax Appellate Tribunal, East Zonal Bench, Kolkata, West Bengal. The matter is currently pending.

INDEPENDENT ACCOUNTANTS

Our financial statements as of and for the year ended March 31, 2007 and the reformatted financial statements based on the audited financial statements of that year included elsewhere in this Placement Document , have been audited by Rashmi & Co., Chartered Accountants. As stated in their report appearing in this Placement Document, S.R. Batliboi & Co., Chartered Accountants, have audited our consolidated financial statements as of and for the two years ended March 31, 2008 and 2009 and the reformatted financial statements based on the respective audited financial statements and included elsewhere in this Placement Document and reviewed our unaudited non-consolidated financial statements as at and for the three months ended June 30, 2009, included elsewhere in this Placement Document.

GENERAL INFORMATION

1. We were incorporated in the Republic of India under registration number L27102WB1999PLC089755. Our registered office is 5, Bentinck Street, Kolkata 700 001, India.

2. The Issue was authorised and approved by our Board of Directors on June 30, 2009 and approved by the shareholders in their meeting on July 27, 2009.

3. We had applied for and have received the in-principle approval of the BSE, the NSE and the CSE to issue the Equity Shares to QIBs.

4. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our registered office and our corporate offices.

5. We have obtained all consents, approvals and authorisations required in connection with this Issue.

6. Other than what has been stated in this Placement Document, there has been no material change in our financial or trading position since March 31, 2009, the date of the latest audited consolidated financial statements.

7. Except as disclosed in this Placement Document, there are no litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue.

8. The auditors Rashmi & Co., Chartered Accountants have issued audit reports on the non-consolidated financial statements of the Company for the year ended March 31, 2007. .

9. The Company's auditors are S.R. Batliboi & Co., Chartered Accountants, who have issued unqualified audit reports on the consolidated financial statements as at and for the two years ended March 31, 2008 and 2009. .

10. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.

11. The Floor Price for the Issue is Rs. 239.21, calculated in accordance with Regulation 85 of the SEBI ICDR Regulations.

FINANCIAL STATEMENTS

REVIEW REPORT

To
The Board of Directors
Jai Balaji Industries Limited

1. We have reviewed the accompanying balance sheet of Jai Balaji Industries Limited ('the Company') as at June 30, 2009, and the related statement of profit and loss and cash flows for the three months then ended. These financial statements have been approved by the Management (Finance) Committee of the Company and are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. The accompanying financial statements have been prepared by the Company solely for the purpose of inclusion in the preliminary placement document being prepared for the purpose of issue of equity shares to Qualified Institutional Bidders in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, notified pursuant to Companies (Accounting Standards) Rules, 2006, *except for non- preparation of the consolidated financials statements of the Company as at June 30, 2009,as indicated in Note No. 16 on Schedule 22.*

4. *Attention is drawn to Note No.13 on Schedule 22, regarding accounting for a gain of Rs. 35.26 million on account of reversal of expenses provided in the previous year in respect of interest and foreign exchange fluctuation, due to derecognition of liability towards purchase of raw materials because of inferior quality. The Company has filed a legal case against the vendor, pending whose disposal, the impact of above, on the Company's financial statements cannot be presently ascertained.*

5. Based on our review, *subject to our comments in paras 3 and 4 above*, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with the Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

For S.R. BATLIBOI & CO.
Chartered Accountants

per R K Agrawal
Partner
Membership No: 16667
Place: Kolkata
Date: September 5, 2009

Balance Sheet as at 30th June' 2009

(Rs. in million)

	Schedule	As at 30th June,2009	As at 31st March,2009
SOURCES OF FUNDS			
A. Shareholders' Fund :			
a) Share Capital	1	471.15	471.15
b) Application Money towards Equity warrants		617.84	617.84
(Refer Note 6 (a) on Schedule 22)			
c) Reserves and Surplus	2	3,012.53	3,071.85
B. Loan Funds :			
a) Secured Loans	3	16,019.69	15,036.65
b) Unsecured Loans	4	2,801.03	2,801.03
C. Deferred Tax Liabilities (Net)	5	740.01	748.19
TOTAL		23,662.25	22,746.71
APPLICATION OF FUNDS			
A. Fixed Assets:			
a) Gross Block	6	13,329.81	13,360.23
b) Less : Accumulated Depreciation / Amortisation		1,540.61	1,371.72
c) Net Block		11,789.20	11,988.51
d) Capital Work in Progress and	7	3,687.36	3,169.32
Pre-operative Expenditure Pending Allocation			
		15,476.56	15,157.83
B. Investments	8	516.22	516.22
C 1. Current Assets, Loans and Advances			
a) Inventories	9	4,446.97	4,553.55
b) Sundry Debtors	10	3,198.79	2,590.90
c) Cash and Bank Balances	11	624.77	197.75
d) Loans and Advances	12	3,064.80	2,876.60
		11,335.33	10,218.80
C 2. Less: Current Liabilities and Provisions	13		
a) Current Liabilities		3,619.00	3,102.99
b) Provisions		46.86	43.15
		3,665.86	3,146.14
Net Current Assets		7,669.47	7,072.66
TOTAL		23,662.25	22,746.71
Significant Accounting Policies and Notes on Accounts	22		

The schedules referred to above form an integral part of the Balance Sheet

As per our attached report of even date
For S. R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Management (Finance) Committee

per R K Agrawal
Partner
Membership No. 16667

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Place : Kolkata
Date : September 5, 2009

Ajay Kumar Tantia
Company Secretary

Profit and Loss Account for the Quater ended 30th June 2009

(Rs. in million)

	Schedule	Apr - Jun 09
INCOME		
Sales and Services (Gross)	14	5,036.05
Less: Excise Duty		459.74
Sales and Services (Net)		4,576.31
Other Income	15	63.72
TOTAL		4,640.03
EXPENDITURE		
Decrease in Stocks	16	89.07
Excise Duty and Cess on Stocks		(38.11)
(Refer Note 9 on Schedule 22)		
Raw Materials Consumed	17	3,117.38
Purchase of Trading Goods		0.48
Manufacturing Expenses	18	759.11
Personnel Cost	19	100.80
Selling, Distribution and Administrative Expenses	20	100.98
Prior Period Expenditure (Net)		6.24
Interest and Finance Charges	21	369.12
Depreciation / Amortisation		171.26
TOTAL		4,676.33
Profit / (Loss) before Tax		(36.30)
Add / (Less):		
Current Tax		0.08
[Including Rs.0.08 million for earlier years]		
MAT Credit Entitlement		-
Deferred Tax Credit		(8.18)
Fringe Benefit Tax		0.65
Total Tax Expenses (Net)		(7.45)
Profit / (Loss) after Tax		(28.85)
Add: Balance Brought Forward From Previous Year		1,388.35
Balance carried to Balance Sheet		1,359.50
Earning Per Share (Nominal Value per share Rs. 10)		
Basic and Diluted (Rs.)		(0.61)
(Refer Note 8 on Schedule 22)		
Significant Accounting Policies and Notes on Accounts	**22**	

The schedules referred to above form an integral part of the Profit and Loss Account

As per our attached report of even date
For S. R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Management (Finance) Committee

per R K Agrawal **Partner** Membership No. 16667	**Aditya Jajodia** **Chairman & Managing Director**	**Sanjiv Jajodia** **Wholetime Director**
Place : Kolkata Date : September 5, 2009		**Ajay Kumar Tantia** **Company Secretary**

Cash Flow Statement for the quarter ended 30th June 2009

(Rs. in million)

		Apr - Jun 09
A:	**Cash Flow From Operating Activities**	
	Net Profit Before Taxes	(36.30)
	Adjustments For :	
	Depreciation / Amortisation (Net)	171.26
	Loss on Sale of Fixed Assets	0.14
	Provision for Doubtful Debts / Advances (net)	3.35
	Liabilities no longer required written back	(4.67)
	Interest and Finance Charges	369.12
	Prior Period Expenditure	6.24
	Loss on Forward Exchange Contracts / Exchange Fluctuations (Net)	3.51
	Interest Income	(33.55)
	Operating Profit Before Working Capital Changes	479.10
	Movement in Working Capital	
	Sundry Debtors	(436.31)
	Loans and Advances	(285.59)
	Advances to a Subsidiary Company	52.38
	Inventories	106.59
	Trade & Other Payables	171.82
	Cash Generated From Operating Activities	87.99
	Direct Taxes paid (net of refunds)	(5.51)
	Net Cash Generated from Operating Activities	82.48
B:	**Cash Flow From Investing Activities**	
	Purchase of Fixed Assets	(277.35)
	Deposits made	(14.30)
	Proceeds from Sale of Fixed Assets	1.58
	Refund of Loan given to a Body Corporate	80.00
	Interest received	0.64
	Net Cash Used In Investing Activities	(209.43)
C:	**Cash Flow From Financing Activities**	
	Proceeds from Call in Arrears	0.01
	Proceeds from long / short term Borrowings	1,400.11

Repayment of long / short term Borrowings	(417.99)
Interest and Finance Charges Paid	(442.45)
Net Cash from Financing Activities	539.68
Net Decrease In Cash and Cash Equivalents (A+B+C)	412.73
Cash and Cash Equivalents as at the beginning of the year	103.90
Cash and Cash Equivalents as at the end of the period	516.63
Components of cash and cash equivalents	
Cash in hand	3.38
Balance with Scheduled Banks on:	
Current Account	512.78
Fixed Deposit Account	108.12
Unclaimed Dividend Account *	0.46
Unclaimed Fractional Share Balance*	0.02
Cash and Bank Balances as per schedule 11	624.76
Less : Fixed deposits not considered as cash equivalents	108.13
Cash and Cash Equivalents in Cash Flow Statement:	516.63

* These balances are not available for use by the Company as they represent corresponding unpaid dividend and unclaimed fractional share balances.

As per our attached report of even date
For S. R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Management (Finance) Committee

per R K Agrawal
Partner
Membership No. 16667

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Place : Kolkata
Date : September 5, 2009

Ajay Kumar Tantia
Company Secretary

Schedules Forming Part of the Balance Sheet	(Rs. in million)	
	As at 30th June,2009	As at 31st March,2009
Schedule 1: Share Capital		
Authorised		
101,000,000 Equity shares of Rs. 10 /- each	1,010.00	1,010.00
	1,010.00	1,010.00
Issued, Subscribed and Paid up		
47,126,900 Equity shares of Rs. 10 /- each	471.27	471.27
Less: Calls in Arrear (other than directors)	0.12	0.12
	471.15	471.15
Note : Out of the above, 22,000,000 equity shares of Rs. 10 /- each were issued for consideration other than cash in earlier years		

	(Rs. in million)	
	As at 30th June,2009	As at 31st March,2009
Schedule 2: Reserves and Surplus		
Capital Reserve		
Balance as per Last Account	23.01	23.01
Capital Investment Subsidy		
Balance as per Last Account	30.47	-
Add: Capital Subsidy received during the year	-	32.57
Less : Transferred to Fixed Assets	30.47	
Less : Allocated to Depreciation	-	2.10
	-	30.47
Securities Premium Account		
Balance as per Last Account	157.52	157.52
Amalgamation Reserve		
Balance as per Last Account	440.00	440.00
General Reserve		
Balance as per Last Account	1,032.50	1,032.50
Balance in Profit and Loss Account	1,359.50	1,388.35
	3,012.53	3,071.85

		(Rs. in million)	
		As at 30th	As at 31st
		June,2009	March,2009
Schedule 3: Secured Loans			
	Term Loans		
	Long Term :		
	Rupee Loans		
	Banks	6,820.80	6,751.91
	Financial Institutions	925.79	973.78
	Foreign Currency Loans		
	Banks	886.37	814.10
	Short Term Rupee Loans from		
	Banks	1,148.52	-
	Working Capital Finance		
	From Banks		
	(i) In Rupees	5,094.73	4,983.92
	(ii) In Foreign currency	1,067.51	1,429.25
	Deferred Payment Credits	35.46	43.69
	Interest Accrued and Due	40.51	40.00
		16,019.69	15,036.65

Notes :

1. Term Loans from banks and financial institutions are secured as follows: -
(a) Rs. 7,021.57 million (Rs. 6,911.90 million) by way of equitable mortgage created / to be created on the immovable assets and first charge on the fixed assets of the Company, both present and future, lien on Fixed Deposits of Rs.14.50 million (Rs.14.50 million) with banks and second charge on the entire current assets of the Company, both present and future (except Durg unit) .

(b) Rs. 588.94 million (Rs.604.21 million) by way of equitable mortgage created / to be created on the immovable assets and first charge on the fixed assets of the Company's Durg Unit, both present and future.
(c) Rs. 2,158.52 million (Rs.1,011.30 million) by way of subservient charge on the entire Fixed and Current Assets of the Company.
(d) Rs.12.45 million (Rs.12.38 million), against lien on the subsidies receivable from Government of West Bengal.

2. Working Capital Facilities from Banks are Secured as follows: -
(a) Rs. 5,966.04 million (Rs. 6,207.31 million) by hypothecation of all current asset including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Company, both present and future (except for Durg unit).
(b) Rs. 196.20 million (Rs. 205.86 million) by hypothecation of all current assets including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Company's Durg unit, both present and future.

3. Deferred Payment Credits are secured by hypothecation of assets acquired under the respective agreements.

4. All the loans as referred to above (excluding Rs.12.45 million from financial institutions) are further secured by the personal guarantee of certain promoter directors of the Company and loans aggregating to Rs 2,500.12 million are also secured by pledge of 1,395,600 equity shares of the Company held by the promoters.

5. Long term loans and Deferred Payment Credits include Rs.1,646.70 million (Rs.1,549.61 million) payable within one year.

	(Rs. in million)	
	As at 30th	As at 31st
	June,2009	March,2009
Schedule 4: Unsecured Loans		
Debentures		
8,359,000, Zero Coupon Compulsorily Convertible Debentures of Rs. 326.90 each	2,732.56	2,732.56
[Refer Note 6 (b) on Schedule 22]		
Interest Free Sales Tax Loan	68.47	68.47
	2,801.03	2,801.03

* Includes amount repayable within one year Rs. 14.93 million (Rs.13.48 million).

	(Rs. in million)	
	As at 30th	As at 31st
	June,2009	March,2009
Schedule 5: Deferred Tax Liabilities (Net) [@]		
Balance as per Last Account	748.19	710.12
Add: (Credit) / Charge for the period	(8.18)	38.07
	740.01	748.19

[@] Refer Note 10 on Schedule 22

Schedule 6 : Fixed Assets (Rs. in million)

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 31st March 2009	Additions	Deductions	As at 30th June 2009	Up To 31st March 2009	For the Period	Deductions	Up To 30th June 2009	As at 30th June 2009	As at 31st March 2009
Freehold Land	197.53	-	-	197.53	-	-	-	-	197.53	197.53
Leasehold Land	70.76	-	-	70.76 (a)	7.86	0.80	-	8.66	62.10	62.90
Factory Buildings	1,564.53	-	-	1,564.53	93.63	13.03	-	106.66	1,457.87	1,470.90
Railway Siding	411.91	-	-	411.91	14.30	4.89	-	19.19	392.72	397.61
Plant and Machinery	9,747.27	1.64	34.55 (c)	9,714.36 (b)	1,066.37	133.93	2.37 (c)	1,197.93	8,516.43	8,680.90
Electrical Installations	1,282.68	0.22	-	1,282.90	158.30	15.23	-	173.53	1,109.37	1,124.38
Furniture, Fixtures and Office Equipments	61.54	2.27	-	63.81	25.29	2.01	-	27.30	36.51	36.25
Vehicles	24.01	-	-	24.01 (b)	5.97	1.37	-	7.34	16.67	18.04
Total	13,360.23	4.13	34.55	13,329.81	1,371.72	171.26	2.37	1,540.61	11,789.20	11,988.51
Previous Year's Total	9,169.21	4,208.09	17.07	13,360.23	863.25	510.04	1.57	1,371.72	11,988.51	

Notes :

(a) Includes Rs. 55.00 million pending registration in the Company's name.

(b) Includes assets taken on finance lease as disclosed in Note 5 on Schedule 22. Gross Block Rs.133.40 million (Rs. 135.21 million) and Net Block Rs. 91.07 million (Rs.95.83 million)

(c) Includes Rs 32.57 million in Gross Block and Rs 2.10 million in Depreciation / Amortisation adjusted on account of capital investment subsidy

		As at 30th June,2009	As at 31st March,2009
		(Rs. in million)	
Schedule 7: Capital Work in Progress and Pre-Operative Expenditure Pending Allocation			
A	**Capital Work-in-Progress**		
	Land	623.10	623.72
	Buildings	439.46	818.06
	Railway Siding	4.19	217.97
	Plant and Machinery	1,952.32	3,527.83
	Electrical Installations	93.46	310.26
	Capital Advances	283.27	150.40
	Sub Total	3,395.80	5,648.24
	Less : Transferred to Fixed Assets	-	2,664.78
	Total A :	3,395.80	2,983.46
B	**Pre-operative Expenditure Pending Allocation**		
	Opening Balance	185.86	128.96
	Additions		
	Power and Fuel	15.23	6.67
	Salaries, Wages and Bonus	-	15.11
	Rent and Hire	0.33	15.69
	Rates and Taxes	0.01	4.42
	Insurance	0.85	2.02
	Travelling and Conveyance	0.34	2.22
	Telephone and Postage (Full Figure Rs 1,310)	-	0.20
	Printing and Stationery	0.01	0.03
	Legal and Professional	1.44	7.03
	Miscellaneous Expenses	1.58	5.67
	Interest on Fixed Loans	69.01	386.55
	Finance Charges	1.68	17.18
	Sub Total	276.34	591.75
	Less : Transferred to Fixed Assets	-	405.89
	Total B :	276.34	185.86
C	**TRIAL RUN EXPENSES**		
	Raw Materials Consumed	16.63	1,212.40
	Personnel Cost		
	Salaries, Wages and Bonus	0.29	7.86
	Contribution to Provident and Other Funds	0.05	0.16
		0.34	8.02
	Manufacturing, Selling and Distribution and Administrative Expenses		
	Consumption of Stores and Spares	0.26	55.75
	Labour Charges	0.47	7.14
	Power and Fuel	4.22	75.72
	Repairs and Maintenance : Others	-	0.21
	Rent and Hire	0.01	5.01

Legal and Professional		-	1.85
Miscellaneous Expenses		0.19	1.93
		5.15	147.61
Interest and Finance Charges			
Finance Charges		2.82	1.11
		2.82	1.11
	Sub Total	24.94	1,369.14
Less:			
Sales of Finished Goods [Net of Excise duty and cess Rs 0.46 million		9.58	664.08
(Rs 59.89 million)]			
Subsidy on Sales Tax / Value Added Tax		0.14	16.47
Stock of Semi Finished Goods Consumed in Prdocution		-	204.01
Closing stock of Finished Goods at the close of trial-run period		-	82.44
	Sub Total	9.72	967.00
		15.22	402.14
Less : Transferred to Fixed Assets		-	402.14
	Total C:	15.22	-
Grand Total (A+B+C)		3,687.36	3,169.32

			(Rs. in million)	
Schedule 8: Investments	Shares / Bonds	Face Value per Share / Bond	As at 30th June,2009	As at 31st March,2009
	Nos.	Rs.		
Long Term				
Fully Paid up Equity Shares (except stated otherwise)				
Trade (Unquoted)				
In Joint Venture				
Rohne Coal Company Private Limited.	69,000	10	0.69	0.69
Rohne Coal Company Private Limited.	1,055,700	10	10.56	10.56
(1% Redeemable Preference Shares)				
			11.25	11.25
Non Trade				
(Unquoted)				
Calcutta Stock Exchange Limited	16,726	1	33.45	33.45
Government Securities				
National Savings Certificate			0.01	0.01
(Deposited with Third Parties)				
(Quoted)				
UCO Bank Limited	1,600	10	0.02	0.02
Vijaya Bank Limited	200	10	0.01	0.01
Allahabad Bank Limited	5,344	10	0.43	0.43
Talbros Automotive Component Limited	5,682	10	0.58	0.58
			1.04	1.04
Less: Provision for Diminution in Value of Investments			0.48	0.48
			0.56	0.56
In Subsidiary Company (Unquoted)				
Nilachal Iron & Power Limited	4,948,727	10	470.95	470.95
			516.22	516.22
Aggregate Value of Investments				
- Quoted			0.56	0.56
- Unquoted			515.66	515.66
Market Value of Quoted Investments			0.68	0.35

		(Rs. in million)
	As at 30th	As at 31st
	June,2009	March,2009
Schedule 9: Inventories		
Raw Materials	3,325.22	3,391.09
[Including in transit Rs. 603.54 million (Rs.357.32 million)]		
Stores and Spares	375.75	327.39
[Including in transit Rs. 7.24 million (Rs. 3.29 million)]		
Work - in - Process	146.04	84.77
Finished Goods	553.19	672.20
By Products	46.77	78.10
	4,446.97	4,553.55

			(Rs. in million)
	As at 30th		As at 31st
	June,2009		March,2009
Schedule 10: Sundry Debtors			
(Unsecured ,Considered Good unless otherwise stated)			
Debts outstanding for more than six months			
Considered good	641.14		356.54
Considered doubtful	11.74		11.74
Other Debts	2,557.65		2,234.36
	3,210.53		2,602.64
Less : Provision for Doubtful Debts	11.74		11.74
	3,198.79	*	2,590.90

*Includes Rs.Nil (Rs.17.16 million) due from a private limited company in which a director of the Company is a director

	(Rs. in million)	
	As at 30th	As at 31st
	June,2009	March,2009
Schedule 11: Cash and Bank Balances		
Cash in hand	3.38	6.20
Cheques in hand	-	32.25
Balance with Scheduled Banks on:		
Current Account	512.78	64.88
Fixed Deposit Account #	108.13	93.94
Unclaimed Dividend Account	0.46	0.46
Unclaimed Fractional Share Balance	0.02	0.02
	624.77	197.75

Receipts aggregating to Rs. 108.13 million (Rs. 93.85 million) pledged with Banks as Margin Money against Borrowings / Other facilities

	(Rs. in million	
	As at 30th	As at 31st
	June,2009	March,2009
Schedule 12: Loans and Advances		
(Unsecured, Considered Good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received @	872.46	541.60
[Net of Provision for Doubtful Advances Rs.34.90 million (Rs. 31.56 million)]		
Advances to a Subsidiary Company	311.69	364.07
Loans to Bodies Corporate (Receivable on demand)	890.00	970.00
Interest Receivable on Loans and Deposits	49.36	16.51
Share Application Money	0.64	0.64
Security Deposits	25.24	22.70
MAT Credit Entitlement	150.05	150.05
Balance with Excise and other Government Authorities	103.01	254.81
Subsidies and Incentives Receivable	565.32	464.56
Advance payment of Income Tax and Refunds Receivable (net of provisions)	56.34	50.85
Sales Tax and Other Refunds Receivable	40.69	40.81
	3,064.80	2,876.60

@ Includes Rs. 1.11 million (Rs.1.11 million) due from a private limited company in which a director of the Company is a director

	(Rs. in million)	
	As at 30th June,2009	As at 31st March,2009
Schedule 13: Current Liabilities and Provisions		
A. Current Liabilities		
Acceptances	312.06	381.14
Sundry Creditors for goods, services and expenses		
(a) Dues towards Capital Goods	697.15	522.71
(b) Dues to Other Creditors	2,111.73	1,960.05
Advances from Customers	332.77	161.22
Creditors for other finance	163.84	76.10
Investor Education and Protection Fund		
(To be deposited as and when due)		
(a) Unclaimed Dividend	0.46	0.46
(b) Unclaimed Fractional Shares Liability	0.02	0.02
Interest Accrued but not due on Loans	0.97	1.29
	3,619.00	3,102.99
B. Provisions :		
Gratuity	11.99	9.31
Leave Salary	7.77	7.39
Proposed Dividend	22.19	22.19
Tax on Proposed Dividend	3.35	3.35
Fringe Benefit Tax (Net of Advances)	1.56	0.91
	46.86	43.15

Schedules Forming Part of the Profit & Loss Account

	(Rs. in million)
	Apr - Jun 09
Schedule 14: Sales and Services	
Finished Goods	4,836.31
Subsidy on Sales Tax / Value Added Tax	97.73
Saleable Scraps and By Products	62.17
Conversion Charges	32.36
Raw Materials	7.48
	5,036.05

	(Rs. in million)
	Apr - Jun 09
Schedule 15: Other Income	
Interest on :	
(a) Fixed Deposits with Banks [Tax deducted at Source, Rs 0.06 million]	2.14
(b) Loans, Advances etc [Tax deducted at Source, Rs.Nil]	31.41
Commission Received	24.98
Liabilities no longer required written back	4.67
Miscellaneous Income	0.52
	63.72

	(Rs. in million)
	Apr - Jun 09
Schedule 16: Decrease in Stocks	-
Opening Stocks :	
Finished Goods	672.20
Work-in-Process	84.77
By Products	78.10
	835.07
Less:	
Closing Stocks :	
Finished Goods	553.19
Work-in-Process	146.04
By Products	46.77
	746.00
	89.07

	(Rs. in million)
	Apr - Jun 09
Schedule 17: Raw Materials Consumed	
Opening Stock	3,391.09
Add: Purchases *****	3,051.51
	6,442.60
Less: Closing Stock	3,325.22
	3,117.38

* Refer Note No. 13 on Schedule 22

	(Rs. in million)
	Apr - Jun 09
Schedule 18: Manufacturing Expenses	
Consumption of Stores and Spares	273.49
Labour Charges	74.95
Power and Fuel [Net of power subsidy of Rs. 2.91 million]	361.96
Repairs and Maintenance:	
- Plant and Machinery	20.95
- Buildings	3.19
- Others	3.56
Water Charges	9.92
Other Expenses	11.09
	759.11

	(Rs. in million)
	Apr - Jun 09
Schedule 19: Personnel Cost	
Salaries, Wages and Bonus	89.44
Contribution to Provident and Other Funds	7.96
Staff Welfare Expenses	3.40
	100.80

	(Rs. in million)
	Apr - Jun 09
Schedules : 20 Selling, Distribution and Administrative Expenses	
-	
Freight and Transportation	37.90
Rent and Hire	22.71
Rates and Taxes	1.32
Insurance	2.19
Advertisement	1.73
Brokerage and Commission (Other than Sole Selling Agents)	1.86
Travelling and Conveyance	8.09
Telephone and Postage	1.85
Legal and Professional	4.03
Directors' Fees	0.06
Auditors' remuneration	
- Limited Review Fees	0.65
- For Expenses	0.04
Provision for Doubtful Advances	3.35
Loss on Forward Exchange Contracts / Exchange Fluctuation (Net)	3.51
Charities and Donations	0.46
Security and Service Charges	7.30
Loss on Sale of Fixed Assets	0.14
Miscellaneous Expenses	3.79
	100.98

	(Rs. in million)
	Apr - Jun 09
Schedules : 21 Interest and Finance Charges	
Interest on :	
- Fixed Loans	196.02
- Other Loans	164.35
Finance Charges	8.75
	369.12

Schedule 22: Significant Accounting Policies and Notes on Accounts

1 Significant Accounting Policies

(a) Basis of preparation of Accounts

The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006, (as amended).The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies applied by the Company consistent with those used in the previous year.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price inclusive of duties (net of CENVAT and VAT Credit), taxes, incidental expenses, erection / commissioning expenses and interest etc. upto the date the asset is ready to be put to use.

Own produced materials used for fixed assets are capitalised at cost.

Machinery spares which can be used only in connection with a particular item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.

(d) Depreciation

i) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

ii) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management which is equal to the rates prescribed under schedule XIV of the Companies Act, 1956.

iii) Depreciation on Railway Wagons acquired by the Company is provided @ 10% p.a. as against 4.75% p.a. as prescribed in Schedule XIV because of the conditions prescribed in the agreement with Railway Authorities.

iv) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

(e) Borrowing Costs

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their value in use. For the calculation of value in use the estimated future cash flows are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

(g) Fixed Assets acquired under Leases

Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(h) Government grants and subsidies

Grants and subsidies from the government are recognized when there is a reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other

	than temporary in the value of the investments.
(j)	**Inventories**
	Inventories are valued as follows:
	Raw materials — At lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
	Stores and Spares — At lower of cost and net realizable value. Cost is determined on 'First in First Out' basis except for Durg unit where the cost is determined on weighted average basis.
	Work-in- Process and Finished Goods — At lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
	Scrap and By Products — At net realizable value.
	Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.
(k)	**Revenue Recognition**
	Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. **Sale of Goods** Revenue from sale of goods is recognized on passage of title thereof to the customers, which generally coincides with delivery. Further, sales are inclusive of excise duty, but are net of returns, claims, rebates, discounts, Sales Tax, VAT etc. **Income from Services** Income from Services is recognized on performance of the contract and acceptance of the services by the customers. **Interest** Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. **Dividend** Dividend income is recognized when the shareholders' right to receive payment is established by the balance sheet date.
(l)	**Foreign currency transactions**
	(i) Initial Recognition Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. **(ii) Conversion** Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined. **(iii) Exchange Differences** Exchange differences arising on the settlement / conversion of monetary items are recognized as income or as expenses in the period in which they arise. **(iv) Forward Exchange Contracts not intended for trading or speculation purposes** The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.
(m)	**Retirement and other employee benefits**
	i. Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contribution is charged to Profit and Loss Account of the period when the contributions to the respective funds is due. There is no other obligation other than the contribution payable to provident fund. ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year. For each interim period subsequent to such financial year, the actuarial valuation is reviewed at the balance sheet date and updated to reflect any material transactions and other material changes in circumstances between the date of valuation and the balance sheet date. iii. Short term compensated absences are provided for based on estimates whereas long term compensated absences are provided for on the basis of actuarial valuation, as per projected unit credit method. iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.
(n)	**Taxation**
	Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. During the period, in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.
(o)	**Expenditure on new projects and substantial expansion**
	Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period are capitalised as part of the indirect construction cost to the extent to which the expenditure are indirectly related to construction or are incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which are not related to the construction activity nor

are incidental thereto are charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

(p) Segment Reporting Policies

The Company has identified Iron and Steel products as its sole operating segment and the same has been treated as the primary segment. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(q) Earnings Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Partly paid equity shares / instruments are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, warrants and convertible debentures.

(r) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(s) Cash and Cash Equivalents

Cash and cash equivalents as indicated in the Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(t) Derivative Instruments

As per the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts, other than those covered under Accounting Standard 11, are marked to a market on a portfolio basis, and the net loss after considering the offsetting effect of the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

(u) Contingent Liabilities

Contingent liabilities are not provided for in the accounts and are separately disclosed in the “Notes on Accounts”

Notes on Accounts:

(Rs. in million)

			As at June 30,2009	As at March 31,2009
2.	Contingent liabilities not provided for:			
	a)	Claims against the Company not acknowledged as debts		
		i) Excise and Service Tax Demands under dispute/ appeal	118.31	118.31
		ii) Sales Tax / VAT matters under dispute/appeal	1,072.79	1,072.79
		iii) Others *	119.55	-
	b)	Letters of Credit, Bills discounted and Bank Guarantees outstanding	989.95	596.00
	c)	Guarantees and Counter guarantees given by the Company for loans obtained by subsidiary company	150.00	150.00
	d)	Guarantee given for M/s Rohne Coal Company Private Limited, a Joint Venture Company	90.00	90.00

* Claims against the Company not acknowledged as debts under the head “Others” represents the following

During the quarter, the Company has received a demand for additional fuel surcharge amounting to Rs 119.55 million from the electricity supply company (the supplier). The Company has responded back to the supplier the demand as unjustified, in terms of the order dated August 6, 2009 by The Central Electricity Regulatory Commission (the regulator).

The management is further of the view that Other customers who have received similar demand have filed a writ petition which is pending before the Honb’le high court at Calcutta.

The Company, based on the opinion of a consultant is of the view that the above demand is likely to be reversed and no liability shall arise on the Company.

(Rs. in million)

3.	Estimated amount of contracts remaining to be executed on Capital Account and not provided for [Net of Advances Rs. 283.27 million (Rs. 150.40 million)]	428.49	356.90

Proportionate amount of pending capital commitments on account of M/s Rohne Coal Company Private Limited, a Joint Venture Company as at March 31, 2009 is Rs. 0.15 million.

The Joint Venture Company has not prepared any financial statements subsequent to March 31, 2009, therefore information subsequent to March 31, 2009 has not been provided.

4. **Gratuity and Leave**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to gratuity on terms not less favourable than The Provisions of Payment of Gratuity Act, 1972. The Company has funded its gratuity liability with an insurance company in the form of a qualifying insurance policy.

The disclosures required under Accounting Standard 15 ‘Employee Benefits’ notified in the Companies (Accounting Standards) Rules 2006 have not been provided in these interim financial statements as no actuarial valuation has been carried out

The Company has provided Rs. 2.68 million for gratuity expenses for quarter as against Rs. 6.33 million for the year ended March 31, 2009 and Rs. 0.39 million for leave salary liabilities for the quarter as against Rs. 3.14 million for the year ended March 31, 2009.

The principal assumptions used in determining gratuity and leave obligations for the Company’s plans for year ended March 31, 2009 are shown below.

Particulars	Gratuity	Leave
Discount Rate	7.75%	7.75%
Expected Rate of return on assets	8.30	N.A.
Rate of increase in salaries	10%	10%

Expected Average remaining working lives of employees (years)	26.33	25.35	

5. Assets taken on finance lease include Railway Wagons included under Plant & Machinery and Vehicles. At the expiry of the lease period, legal title would be passed on to the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.
Future obligations towards lease rentals (inclusive of finance charges) Rs.37.52 million under the respective finance lease agreements as on the date of balance sheet are as per details given below:

(Rs. in million)

Particulars	Apr–Jun 09
Total minimum lease payments at the period end	37.52
Less : Amount representing finance charges	2.06
Present value of minimum lease payments	35.46
Lease payments for the period	8.23
Minimum Lease Payments :	
Not later than one year: Present value as on 30.06.2009 Rs.34.41 million	36.40
Later than one year but not later than five years: Present value as on 30.06.2009 Rs.1.05 million	1.12
Later than five years: Present value as on 30.06.2009 Rs. Nil	-

6. a) During the year ended March 31, 2008, the Company has issued 9,600,000 Warrants to the Promoters and others carrying a right to convert each warrant into an Equity Share of Rs. 10 each at a premium of Rs.316.90 per warrant within a period of 18 months from the date of allotment i.e. February 7, 2008. The warrant holders had paid Rs. 617.84 million as application money against the above equity share warrants. However, subsequent to the quarter end, due to non payment of the balance money, the Company has forfeited the above application money received in its board meeting held on August 11, 2009.

b) The Company has also issued 8,359,000 Zero Coupon Compulsorily Convertible Debentures (CCDs) at a price of Rs. 326.90 each to Foreign Equity Investors in 2007-08. The debenture holders have the option to convert each debenture at any time into an equity share of Rs.10 each at a premium of Rs. 316.90 per debenture within 18 months from the date of allotment i.e. February 7, 2008. Subsequent to the quarter end, on July 31, 2009 the CCD's holders have exercised their option to convert the CCD into equal number of equity shares of Rs 10 each.

7. (i) Unhedged Foreign Currency Exposures outstanding at the period end are as follows:

Sr.No	Particulars	As at June 30, 2009			As at March 31, 2009		
		Amount in Foreign Currency		Rs in million	Amount in Foreign Currency		Rs in million
							Receivables
(a)	Sundry Debtors	US$	-	-	US$	-	-
(b)	Advances	Euro	-	-	Euro	667,395	45.04
	Total			-			45.04
							Payables
(c)	Sundry Creditors	US$	1,022,167	48.93	US$	1,045,024	53.24
		Euro	-	-	Euro	1,053,755	71.11
(d)	Foreign Currency Loans	US$	2,659,188	149.45	US$	5,862,573	298.70
		Euro	2,207,902	127.30	Euro	1,012,605	68.33
	Total			325.68			491.38

(ii) Derivative instruments outstanding as at the balance sheet date includes Forward Cover Contracts of $ 34,429,003 ($ 38,449,272) for minimizing the risk of currency exposure on foreign loans and working capital finace.

8. Basic and diluted earnings per share:

			Apr–Jun 09
A	Profit / (Loss) after Tax	Rs. in million	(28.85)
B	Present weighted average number of equity shares (Rs. 10 each)	Nos.	47,115,425
C	Weighted average number of equity shares allotted	Nos	47,115,425
D	Weighted average number of equity shares which would be issued on the conversion of		
	(i) Compulsorily Convertible Debentures	Nos	8,359,000
	(ii) Equity Warrants	Nos	1,890,000
E	Potential weighted average number of Equity Shares	Nos	57,364,425
F	Basic Earning per Share	Rs.	(0.61)
G	Diluted Earning per Share	Rs.	(0.61)

9. Excise duty on increase/decrease in stock represents differential excise duty on opening and closing stock of Finished Goods.

10. The break-up of major components of Net Deferred Tax Liabilities of Rs.740.01 million as on June 30, 2009 is as under:

(Rs. in million)

Particulars	As at June 30, 2009	As at March 31, 2009
Deferred Tax Liability Timing Difference on Depreciable assets	1,137.40	1,100.00
Sub total (A)	1,137.40	1,100.00
Deferred Tax Asset Unabsorbed Depreciation	357.76	312.38
Expenses allowable on payment basis/other timing differences	39.63	39.43
Sub total (B)	397.39	351.81
Deferred Tax Liabilities (Net) (A-B)	740.01	748.19

11. **Related Party Disclosures**

(i) **Name of Related Parties :**

Subsidiary Company	Nilachal Iron & Power Limited
Joint Venture Company	Rohne Coal Company Private Limited
Key Management Personnel	Mr. Aditya Jajodia, Chairman and Managing Director Mr. Sanjiv Jajodia ,Wholetime Director
Relatives of Key Management Personnel	Mr. Rajiv Jajodia, Brother of Wholetime Director Mr. Aashish Jajodia, Brother of Chairman and Managing Director Mr. Devendra Prasad Jajodia, Brother of Wholetime Director Mr. Gaurav Jajodia, Nephew of Wholetime Director Smt. Kanchan Jajodia, Sister-in-law of Wholetime Director Smt. Rina Jajodia, Sister-in-law of Chairman and Managing Director Smt. Sangeeta Jajodia, Wife of Wholetime Director Smt. Shashi Devi Jajodia, Sister-in-law of Wholetime Director Smt. Seema Jajodia, Wife of Chairman and Managing Director
Enterprises owned or significantly influenced by key management personnel or their relatives	Chandi Steel Industries Limited Jai Balaji Jyoti Steels Limited Jai Salasar Balaji Industries (P) Limited Enfield Suppliers Limited Hari Management Limited

b. Related Party transactions:

Rs in million

Particulars	Subsidiary Company	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Sales of Finished Goods , Raw Materials and Others						
Chandi Steel Industries Limited					159.46	159.46
Jai Balaji Jyoti Steels Limited					17.87	17.87
Jai Salasar Balaji Industries (P) Limited					26.39	26.39
Purchases of Raw Materials / Others						
Nilachal Iron & Power Limited	326.62					326.62
Jai Balaji Jyoti Steels Limited					280.50	280.50
Jai Salasar Balaji Industries (P) Limited					46.09	46.09
Others					2.05	2.05
Salary / Managerial Remuneration *						
Mr. Aditya Jajodia			3.87			3.87
Mr. Sanjiv Jajodia			3.20			3.20
Rent Expenses						
Jajodia Estate Private Limited					0.02	0.02
Interest Received						
Jai Balaji Jyoti Steels Limited					26.89	26.89
Balance Receivable as at the period / year end						
Jai Balaji Jyoti Steels Limited					-	-
					(14.23)	(14.23)
Chandi Steel Industries Limited					149.69	149.69
					(16.08)	(16.08)
Nilachal Iron & Power Limited	311.69					311.69
	(364.07)					(364.07)

Rs in million

Particulars	Subsidiary Company	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Jai Salasar Balaji Industries (P) Limited					-	-
					(17.16)	(17.16)
Rohne Coal Company Private Limited		1.11				1.11
		(1.11)				(1.11)
***** excluding provision for gratuity and leave encashment						
Balance Payable as at the period / year end						
Jai Salasar Balaji Industries (P) Limited					5.00	5.00
					(-)	(-)
Jai Balaji Jyoti Steels Limited					3.55	3.55
					(-)	(-)
Loan Receivable Outstanding as at the period / year end						
Jai Balaji Jyoti Steels Limited					770.00	770.00
					(850.00)	(850.00)
Balance against Equity Warrants						
Smt. Kanchan Jajodia				6.54		6.54
				(6.54)		(6.54)
Mr. Aashish Jajodia				6.54		6.54
				(6.54)		(6.54)
Mr. Aditya Jajodia			16.35			16.35
			(16.35)			(16.35)
Mr. Devendra Prasad Jajodia				6.54		6.54
				(6.54)		(6.54)
Mr. Gaurav Jajodia				6.54		6.54
				(6.54)		(6.54)
Mr. Rajiv Jajodia				16.35		16.35
				(16.35)		(16.35)
Mr. Sanjiv Jajodia			16.35			16.35
			(16.35)			(16.35)
Smt. Rina Jajodia				6.54		6.54
				(6.54)		(6.54)
Smt. Sangeeta Jajodia				6.54		6.54
				(6.54)		(6.54)
Smt. Shashi Devi Jajodia				6.54		6.54
				(6.54)		(6.54)
Smt. Seema Jajodia				6.54		6.54
				(6.54)		(6.54)

Rs in million

Particulars	Subsidiary Company	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Enfield Suppliers Limited					304.02	304.02
					(304.02)	(304.02)
Hari Management Limited					202.68	202.68
					(202.68)	(202.68)
Guarantees Obtained						
Mr. Aditya Jajodia			15,931.27			15,931.27
			(14,824.86)			(14,824.86)
Mr. Sanjiv Jajodia			15,931.27			15,931.27
			(14,824.86)			(14,824.86)
Mr. Rajiv Jajodia				15,931.27		15,931.27
				(14,824.86)		(14,824.86)
Corporate Guarantee Given						
Rohne Coal Company Private Limited		90.00				90.00
		(90.00)				(90.00)

12. **Interest in Joint Venture**

The Company has a 6.90% interest in the assets, liabilities, expenses and income of M/s. Rohne Coal Company Pvt Ltd, which is in the process of setting up a coal mining facility at Rohne Coal Block, Hazaribagh, Jharkhand.

The Joint Venture Company has not prepared any financial statements subsequent to March 31, 2009, therefore information relating to the Company's share of the assets, liabilities, income and expenses of the jointly controlled entity are provided as below for this period as at March 31, 2009 only and not for the period subsequent to that date.

Particulars	**(Rs in million)**
Assets	11.94
Liabilities	11.94
Revenue	-
Depreciation / Amortisation	-
Other Expenses	0.23
Loss before tax	0.23

Capital expenditure commitments and contingent liabilities of the joint venture are disclosed in Notes 2 and 3 respectively.

13. The Company during the period has rejected the material supplied by a vendor amounting to Rs 221.53 million as it failed the necessary quality test parameters in line with the agreed terms of the contract. As a result of this, it has also reversed the liability provided in earlier years towards the cost of materials as well as in respect of interest and foreign exchange fluctuation, which has resulted in a gain of Rs. 35.26 million during the quarter.

The Company has filed a legal case on the above party, the ultimate outcome of which cannot be presently determined, although the Company is of the view that the matter shall be resolved in its favour.

14. Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard-17, the Company is predominantly engaged in a single reportable segment of Iron and Steel during the period. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron & Steel and hence treated as a single reportable segment as per Accounting Standard-17. The Company at present primarily operates in India and therefore the analysis of geographical segments is not applicable to the Company.

15. The interim financial statements have been prepared for the first time in accordance with Accounting Standards (AS) 25, Interim Financial Reporting notified pursuant to the Companies (Accounting Standards) Rules, 2006 and therefore, comparative statements of profit and loss and cash flow statement for the comparable interim periods have not been presented.

16. These interim financial statements of the Company have been prepared by the management solely for the purpose of inclusion in the 'Preliminary Placement Document' and consequently the management has not prepared the Consolidated Financial Statements of the Company as at June 30, 2009, which is required in terms of Accounting Standards (AS) 25, Interim Financial Reporting notified pursuant to the Companies (Accounting Standards) Rules, 2006.

17. Figures in brackets represent previous year's figures which have been rearranged / regrouped wherever necessary to confirm to this period's classification.

As per our attached report of even date	**For and on behalf of the Management (Finance) Committee**	
For S. R. Batliboi & Co. **Chartered Accountants**		
per R K Agrawal **Partner** Membership No. 16667	**Aditya Jajodia** **Chairman & Managing Director**	**Sanjiv Jajodia** **Wholetime Director**
Place : Kolkata Date : September 5, 2009	**Ajay Kumar Tantia** **Company Secretary**	

To
The Board of Directors
Jai Balaji Industries Limited
5 Bentinck Street
Kolkata 700 001
India

Dear Sirs,

1. We have examined the Reformatted Consolidated Financial Statements (the "Reformatted Statements") of Jai Balaji Industries Limited (the "Company") along with its subsidiary and a joint venture (together hereinafter collectively referred to as the "Group") annexed to this report for the purposes of inclusion in the Placement Document prepared by the Company in connection with the Qualified Institutions Placement ("QIP") of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2009. The preparation of these Reformatted Statements is the responsibility of the Company's management. Our responsibility is to report on such statements based on our procedures.

2. We have examined the Reformatted Statements, prepared by the Company based on the Audited Consolidated Financial Statements, and approved by the Management (Finance) Committee of the Company constituted by the Board of Directors, in accordance with the requirements of:

   a. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.;

   b. The (Revised) Guidance Note on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India.

3. We report that the figures disclosed in such Reformatted Statements have been extracted by the Management from the consolidated financial statements of the Group for each of the years ended March 31, 2009 and March 31, 2008, approved by the Board of Directors, which have been audited by us and in respect of which we have issued audit opinions dated June 30, 2009 and June 30, 2008 respectively to the Board of Directors of the Company.

4. For the purpose of our audit of the consolidated financial statements of the Group for the years ended March 31, 2009 and March 31, 2008, we have placed reliance on the following:

   - The financial statements of subsidiary for the year ended March 31, 2009 and March 31, 2008 and joint venture for the year ended March 31, 2009 of the Company, which have been audited and reported upon by other auditors. The financial statements (net of eliminations) of these subsidiary and the joint venture (representing the proportionate share of the Company in respect of the joint venture) reflects total assets of Rs. 1481.83 Million and Rs. 1723.85 Million as at March 31, 2009 and March 31, 2008 respectively and total revenues of Rs. 267.67 Million and Rs. 54.66 Million and cash flows of Rs. 22.24 Million and Rs. 12.10 Million respectively for each of the years ended on those dates. The reports of the other auditors have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary and the joint venture, is based solely on the reports of the other auditors.

5. In the presentation of the Reformatted Statements based on audited consolidated financial statements as referred to in paragraphs 3 and 4 above, no adjustments have been made for any events occurring subsequent to the dates of the audit reports specified herein.

6. As stated in our audit reports referred to in paragraph 3 above, we conducted our audit in accordance with the auditing standards generally accepted in India to enable us to issue an opinion on the General Purpose Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

7. Our audits referred to in paragraph 3 above were carried out for the purpose of certifying the General Purpose Financial Statements taken as a whole. For none of the periods referred to in paragraph 3 above, did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, and accordingly, we express no such opinion thereon.

8. We report that the consolidated financial statements of the Group as at and for each of the years ended March 31, 2009 and March 31, 2008 have been prepared by the Management of the Company in accordance with the requirements of AS 21 "Consolidated Financial Statements" and AS 27 "Financial Reporting of Interests in Joint Ventures" [notified pursuant to the Companies (Accounting Standards) Rules, 2006].

9. We have not audited any consolidated financial statements of the Group as of any date or for any period subsequent to March 31, 2009. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Group as of any date or for any period subsequent to March 31, 2009.

10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

11. This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should this be construed as a new opinion on any of the financial statements referred to herein.

12. This report is intended solely for your information and for inclusion in the documents prepared in connection with the proposed issue of equity shares to qualified institution bidders by the Company and is not to be used, referred to or distributed for any other purpose, without our prior written consent.

For S.R.Batliboi & Co.
Chartered Accountants

Per R K Agrawal
Partner
Membership No. 16667

Place: Kolkata
Date: September 5, 2009

Consolidated Balance Sheet as at March 31, 2009 and March 31, 2008

			(Rs. in million)
		As at 31st	As at 31st
	Schedule	March,2009	March,2008
SOURCES OF FUNDS			
A. Shareholders' Fund :			
a) Share Capital	1	471.15	471.15
b) Application Money towards Equity warrants		617.84	617.84
(Refer Note 8 (a) on Schedule 23)			
c) Preference Share Application Money		0.29	-
d) Reserves and Surplus	2	3,405.56	3,385.55
B. Loan Funds :			
a) Secured Loans	3	15,385.89	11,090.07
b) Unsecured Loans	4	2,801.03	3,379.49
C. Deferred Tax Liabilities (Net)	5	771.87	696.54
TOTAL		23,453.63	19,640.64
APPLICATION OF FUNDS			
A. Fixed Assets:			
a) Gross Block	6	14,118.51	9,869.98
b) Less : Accumulated Depreciation / Amortisation		1,512.07	967.36
c) Net Block		12,606.44	8,902.62
d) Capital Work in Progress and	7	3,207.44	3,002.56
Pre-operative Expenditure Pending Allocation			
		15,813.88	11,905.18
B. Investments	8	36.71	38.09
C 1. Current Assets, Loans and Advances			
a) Inventories	9	5,305.01	4,746.55
b) Sundry Debtors	10	2,626.41	2,115.27
c) Cash and Bank Balances	11	224.63	212.77
d) Loans and Advances	12	2,749.89	3,603.24
		10,905.94	10,677.83
C 2. Less: Current Liabilities and Provisions	13		
a) Current Liabilities		3,258.10	2,858.72
b) Provisions		44.80	121.74
		3,302.90	2,980.46
Net Current Assets		7,603.04	7,697.37

D. Miscellaneous Expenditure (to the extent not written off or adjusted)	14		-		-
TOTAL			23,453.63		19,640.64
Significant Accounting Policies and Notes on Accounts	23				
The schedules referred to above form an integral part of the Balance Sheet					

As per our attached examination report of even date **For S. R. Batliboi & Co.** **Chartered Accountants**	**For and on behalf of the Management (Finance) Committee**	
per R K Agrawal **Partner** Membership No. 16667	**Aditya Jajodia** **Chairman & Managing Director**	**Sanjiv Jajodia** **Wholetime Director**
Place : Kolkata Date : September 5, 2009	**Ajay Kumar Tantia** **Company Secretary**	

Consolidated Profit and Loss Account for the year ended March 31, 2009 and March 31, 2008

(Rs. in million)

	Schedule		2008-09		2007-08
			-	-	-
INCOME					
Sales and Services (Gross)	15		18,953.42		15,069.23
Less: Excise Duty			1,774.04		1,794.53
Sales and Services (Net)			17,179.38		13,274.70
Other Income	16		315.98		565.85
TOTAL			17,495.36		13,840.55
EXPENDITURE					
(Increase) / Decrease in Stocks	17		649.48		(921.25)
Excise Duty and Cess on Stocks			(136.98)		133.30
(Refer Note 13 on Schedule 23)					
Raw Materials Consumed	18		11,142.30		6,954.71
Purchase of Trading Goods			720.07		2,565.67
Manufacturing Expenses	19		2,196.24		1,498.44
Personnel Cost	20		330.69		189.43
Selling, Distribution and Administrative Expenses	21		611.43		465.40
Prior Period Expenditure (Net)			7.17		9.69
Interest and Finance Charges	22		1,323.55		1,109.33
Depreciation / Amortisation		546.29		448.81	
Less : Transfer from Capital Reserve		4.98	541.31	1.24	447.57
TOTAL			17,385.26		12,452.29
Profit Before Tax			110.10		1,388.26
Less:					
Current Tax			25.85		200.66
[Including Rs.13.66 million (Rs.3.58 million) for earlier years]					
MAT Credit Entitlement			(12.19)		(109.37)
Deferred Tax Charge			75.33		88.78
Fringe Benefit Tax			2.73		2.32
Total Tax Expenses (Net)			91.72		182.39
Profit after Tax			18.38		1,205.87
Add: Share of Profit of Associate Company			-		10.93
Consolidated Profit			18.38		1,216.80
Add: Balance Brought Forward From Previous Year			1,429.16		1,267.50
Profit Available for Appropriation			1,447.54		2,484.30
Appropriations					
Proposed Dividend			22.19		47.13
Tax on Dividend			3.77		8.01

Transfer to General Reserve				-			1,000.00
Balance in Profit and Loss Account				1,421.58			1,429.16
				1,447.54			2,484.30
Earning Per Share (Nominal Value per share Rs. 10)							
Basic (Rs.)				0.39			25.83
Diluted (Rs.)				0.32			24.94
(Refer Note 10 on Schedule 23)							

Significant Accounting Policies and Notes on Accounts 23

The schedules referred to above form an integral part of the Profit and Loss Account

As per our attached examination report of even date **For S. R. Batliboi & Co.** **Chartered Accountants**	**For and on behalf of the Management (Finance) Committee**	
per R K Agrawal **Partner** Membership No. 16667	**Aditya Jajodia** **Chairman & Managing Director**	**Sanjiv Jajodia** **Wholetime Director**
Place : Kolkata Date : September 5, 2009	**Ajay Kumar Tantia** **Company Secretary**	

Consolidated Cash Flow Statement for the year ended March 31, 2009 and March 31, 2008			
			(Rs. in million)
		2008-2009	2007-2008
A:	**Cash Flow From Operating Activities**		
	Net Profit Before Taxes	110.10	1,388.26
	Adjustments For :		
	Depreciation / Amortisation (Net)	541.31	447.57
	Loss on Sale of Fixed Assets	1.88	0.34
	Irrecoverable Debts Written off	7.66	0.49
	Provision for Doubtful Debts / Advances (net)	16.42	26.88
	Liabilities no longer required written back	(17.64)	(37.51)
	Interest and Finance Charges	1,710.48	1,178.00
	Miscellaneous Expenses Written off	-	0.50
	Provision for Dimunition in Investments	0.48	-
	Dividend Income from long term Non Trade Investments	(0.03)	(0.03)
	Prior Period Expenditure	7.17	9.69
	Loss on Forward Exchange Contracts / Exchange Fluctuations (Net)	81.67	35.64
	Interest Income	(208.64)	(80.25)
	Operating Profit Before Working Capital Changes	2,250.86	2,969.58
	Movement in Working Capital		
	Sundry Debtors	645.84	125.74
	Loans and Advances	(562.24)	(1,684.85)
	Inventories	(558.46)	(2,162.39)
	Trade & Other Payables	506.28	579.86
	Cash Generated From / (Used in) Operating Activities before taxes	2,282.28	(172.06)
	Direct Taxes paid (net of refunds)	(120.52)	(166.15)
	Net Cash Generated from / (Used In) Operating Activities	2,161.76	(338.21)
B:	**Cash Flow From Investing Activities**		
	Purchase of Fixed Assets	(4,937.86)	(5,004.53)
	Capital Subsidy received	16.47	-
	Proceeds from Sale of Fixed Assets	16.78	0.39
	Purchase of Non Trade Investments	-	(33.45)
	Proceeds from Redemption of Non Trade Investment	0.90	-
	Purchase of Investments / application money paid in a Joint Venture / Subsidiary Company	(0.64)	(470.95)
	Loan to a Body Corporate	-	(1,220.00)
	Refund of Loan given to a Body Corporate	250.00	-
	Dividend from long term Non Trade Investments	0.03	0.03
	Interest received	198.49	76.88

	Net Cash Used In Investing Activities	(4,455.83)	(6,651.63)
C:	**Cash Flow From Financing Activities**		
	Proceeds from Call in Arrears (Amount in full figure - Rs 250.00- in 2008-09)	-	-
	Amount received towards Equity Warrants / Convertible Debentures	-	3,350.43
	Advance against Preference Share Application Money	0.29	-
	Expenses incurred on issue of Securities	-	(62.94)
	Proceeds from long / short term Borrowings	6,192.65	7,363.15
	Repayment of long / short term Borrowings	(2,549.83)	(2,510.18)
	Interest and Finance Charges Paid	(1,325.23)	(1,236.87)
	Dividend Paid	(47.00)	(40.01)
	Tax on Dividend paid	(8.01)	(6.81)
	Net Cash from Financing Activities	2,262.87	6,856.77
	Net Decrease In Cash and Cash Equivalents (A+B+C)	(31.21)	(133.07)
	Cash and Cash Equivalents as at the beginning of the year	138.14	256.41
	Cash and Cash Equivalents of the subsidiary company as at October 26, 2007	-	14.80
	Cash and Cash Equivalents as at the end of the year	106.93	138.14
	Components of cash and cash equivalents		
	Cash in hand	7.46	5.98
	Cheques in hand	32.25	13.48
	Balance with Scheduled Banks on:		
	Current Account	66.63	68.34
	Fixed Deposit Account	117.81	124.62
	Unclaimed Dividend Account *	0.46	0.33
	Unclaimed Fractional Share Balance*	0.02	0.02
	Cash and Bank Balances as per schedule 11	224.63	212.77
	Less : Fixed deposits not considered as cash equivalents	117.71	74.63
	Cash and Cash Equivalents in Cash Flow Statement:	106.92	138.14

* These balances are not available for use by the Company as they represent corresponding unpaid dividend and unclaimed fractional share balances.

As per our attached examination report of even date **For S. R. Batliboi & Co.** **Chartered Accountants**	**For and on behalf of the Management (Finance) Committee**	
per R K Agrawal **Partner** Membership No. 16667	**Aditya Jajodia** **Chairman & Managing Director**	**Sanjiv Jajodia** **Wholetime Director**
Place : Kolkata Date : September 5, 2009	**Ajay Kumar Tantia** **Company Secretary**	

Schedules Forming Part of the Consolidated Balance Sheet

		(Rs. in million)
	As at 31st March,2009	As at 31st March,2008
Schedule 1: Share Capital		
Authorised		
101,000,000 Equity shares of Rs. 10 /- each	1,010.00	1,010.00
	1,010.00	1,010.00
Issued, Subscribed and Paid up		
47,126,900 Equity shares of Rs. 10 /- each	471.27	471.27
Less: Calls in Arrear (other than directors)	0.12	0.12
	471.15	471.15
Note : Out of the above, 22,000,000 equity shares of Rs. 10 /- each were issued for consideration other than cash		
Schedule 2: Reserves and Surplus		
Capital Reserve		
Balance as per Last Account	276.48	7.80
Add: Amount arisen on acquisition	-	15.21
Add : Capital Reserve Arisen on Cosolidation	-	253.47
	276.48	276.48
Capital Investment Subsidy		
Balance as per Last Account	49.89	51.13
Add: Capital Subsidy Received during the year	32.57	-
Less : Allocated to Depreciation	4.98	1.24
	77.48	49.89
Securities Premium Account		
Balance as per Last Account	157.52	240.00
Less : Adjusted towards expenses incurred on issue of securities	-	82.48
	157.52	157.52
Amalgamation Reserve		
Balance as per Last Account	440.00	440.00
General Reserve		
Balance as per Last Account	1,032.50	32.50
Add: Transfer from Profit and Loss Account	-	1,000.00
	1,032.50	1,032.50
Balance in Profit and Loss Account	1,421.58	1,429.16
	3,405.56	3,385.55

	As at 31st March,2009	As at 31st March,2008
		(Rs. in million)
Schedule 3: Secured Loans		
Term Loans		
Long Term :		
Rupee Loans		
Banks	6,812.89	5,052.10
Financial Institutions	973.78	603.55
Foreign Currency Loans		
Banks	814.10	578.08
Short Term Rupee Loans from Banks:		
Towards Acquisition	-	1,249.90
Others	-	399.94
Working Capital Finance		
From Banks		
(i) In Rupees	5,171.19	2,193.98
(ii) In Foreign currency	1,529.51	940.29
Deferred Payment Credits	44.42	72.23
Interest Accrued and Due	40.00	-
	15,385.89	11,090.07

1. Term Loans from banks and financial institutions are secured as follows:-
(a) Rs.6,972.90 million (Rs.6,128.82 million) by way of equitable mortgage created / to be created on the immovable assets and first charge on the fixed assets of the Company, both present and future, lien on Fixed Deposits of Rs.14.50 million (Rs.14.50 million) with banks and second charge on the entire current assets of the Company, both present and future (except Durg unit) .

(b) Rs.604.21 million (Rs.Nil) by way of equitable mortgage created / to be created on the immovable assets and first charge on the fixed assets of the Company's Durg Unit, both present and future.
(c) Rs.1,011.28 million (Rs. Nil) way of subservient charge on the entire Fixed and Current Assets of the Company.
(d) Rs.12.38 million (Rs.104.91 million) against lien on the subsidies receivable from Government of West Bengal.

2. Short Term Loans from Banks are secured by way of subservient charge on the entire Fixed and Current Assets of the Company, out of which Rs.250 million is further secured by Corporate Guarantee of a subsidiary company.

3. Working Capital facilities from Banks are secured as follows:-
(a) Rs.6,494.84 million (Rs.3,068.48 million) by hypothecation of all current asset including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Company, both present and future (except for Durg unit).
(b) Working Capital facilities aggregating to Rs.205.86 million (Rs.65.79 million) are secured by hypothecation of all current assets including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Company's Durg unit, both present and future.

4. Deferred Payment Credits are secured by hypothecation of assets acquired under the respective agreements.

5. All the loans as referred to above (excluding Rs.12.38 million from financial institutions) are further secured by the personal guarantee of certain promoter directors of the Company / its subsidiary and loans aggregating to Rs 2,576.97 million are also secured by pledge of 1,395,600 equity shares of the Company held by the promoters. Loans aggregating to Rs. 348.51 million in case of a subsidiary, are also secured by the corporate gurantee of another Company.

6. Long term loans and Deferred Payment Credits include Rs.1,642.84 million (Rs.1,186.29 million) payable within one year.

	As at 31st March,2009		As at 31st March,2008
			(Rs. in million)
Schedule 4: Unsecured Loans			
Debentures			
8,359,000, Zero Coupon Compulsorily Convertible Debentures of Rs. 326.90 each	2,732.56		2,732.56
[Refer Note 8 (b) on Schedule 23]			
Interest Free Sales Tax Loan	68.47		81.94
Short Term Loans			
From Banks	-		299.99
From Body Corporates	-		265.00
	2,801.03	*	3,379.49

* Includes amount repayable within one year Rs. 13.48 million (Rs. 340.16 million).

	As at 31st March,2009		As at 31st March,2008
Schedule 5: Deferred Tax Liabilities (Net) #			
Balance as per Last Account	696.54		607.76
Add: Created for the Year	75.33		88.78
	771.87		696.54
# Refer Note 11 on Schedule 23			

Schedule 6 : Fixed Assets													(Rs. in million)
	Gross Block							**Depreciation / Amortisation**					**Net Block as at 31st March 2009**
Description	**As at 31st March 2008**	**Additions**			**Deductions**	**As at 31st March 2009**		**Up To 31st March 2008**	**For the Year**		**Deductions**	**Up To 31st March 2009**	
		on acquistions		**others**									
Freehold Land	201.79	-		4.28	-	206.07		-	-		-	-	206.07
	(171.00)	(9.46)		(21.33)	-	(201.79)		-	-		-	-	(201.79)
Leasehold Land	48.93	-		20.00	-	68.93	(a)	6.63	1.23		-	7.86	61.07
	(21.35)	(25.54)		(2.04)	-	(48.93)		-	(6.63)	(d)	-	(6.63)	(42.30)
Factory Buildings	1,108.46	-		546.00	-	1,654.46		61.51	41.17		-	102.68	1,551.78
	(639.17)	(90.33)		(378.96)	-	(1,108.46)		(28.06)	(33.45)		-	(61.51)	(1,046.95)
Railway Siding	175.41	-		236.50	-	411.91		3.22	11.08		-	14.30	397.61
	-	(60.75)		(114.66)	-	(175.41)		-	(3.22)		-	(3.22)	(172.19)
Plant & Machinery	7,302.96	-		3,061.98	13.40	10,351.54	(b)	749.10	435.46		0.83	1,183.73	9,167.81
	(4,445.43)	(709.80)		(2,147.73)	-	(7,302.96)		(311.21)	(437.89)	(d)	-	(749.10)	(6,553.86)
Electrical Installations	951.32	-		375.81	1.53	1,325.60		120.06	46.67		0.10	166.63	1,158.97
	(720.49)	(0.15)		(230.68)	-	(951.32)		(74.99)	(45.07)		-	(120.06)	(831.26)
Furniture, Fixtures & Office Equipments	52.47	-		14.95	0.47	66.95		19.99	7.63		0.05	27.57	39.38
	(34.75)	(3.76)		(13.96)	-	(52.47)		(12.57)	(7.42)		-	(19.99)	(32.48)
Vehicles	28.64	-		6.07	1.66	33.05	(b)	6.85	3.05		0.60	9.30	23.75
	(13.49)	(0.42)		(15.84)	(1.11)	(28.64)		(3.27)	(3.95)		(0.37)	(6.85)	(21.79)
Total	9,869.98	-		4,265.59	17.06	14,118.51		967.36	546.29		1.58	1,512.07	12,606.44
Previous Year's Total	6,045.68	900.21	(c)	2,925.20	1.11	9,869.98		430.10	537.63	(e)	0.37	967.36	8,902.62

Notes :

(a) Includes Rs. 55.00 million pending registration in the Company's name.

(b) Includes assets taken on finance lease as disclosed in Note 6 on Schedule 23. Gross Block Rs. 135.21 million (Rs. 136.65 million) and Net Block Rs. 95.83 million (Rs.109.99 million)

(c) Relates to acquistion of Steel Unit of HEG Limited comprising of Sponge, Power and Steel Plants at Durg, Chattisgarh

(d) includes Rs19.36 million for earlier years

(e) includes Rs 88.82 million relating to Nilachal Iron & Power Limited (NIPL) for the period 1st April 2007 to 25th October 2007 i.e before the period NIPL became a subsiidary

		As at 31st March,2009	As at 31st March,2008
			(Rs. in million)
Schedule 7: Capital Work in Progress and Pre-Operative Expenditure Pending Allocation			
A	**Capital Work-in-Progress**		
	Land	623.80	50.14
	Buildings	841.13	552.90
	Railway Siding	221.61	198.70
	Plant and Machinery	3,555.42	3,069.29
	Electrical Installations	310.26	275.06
	Mining Land	19.98	18.73
	Capital Advances	154.76	691.45
	Sub Total	5,726.96	4,856.26
	Less : Transferred to Fixed Assets	2,716.61	1,982.66
	Total A :	3,010.35	2,873.60
B	**Pre-operative Expenditure Pending Allocation**		
	Opening Balance	128.96	16.48
	Additions		
	Power and Fuel	6.67	39.31
	Salaries, Wages and Bonus	15.19	1.97
	Rent and Hire	15.70	10.48
	Rates and Taxes	4.41	0.08
	Insurance	2.02	1.35
	Travelling and Conveyance	2.25	0.70
	Telephone and Postage Charges	0.20	0.09
	Printing and Stationery	0.03	0.01
	Legal and Professional Charges	16.96	4.28
	Miscellaneous Expenses	5.74	0.86
	Interest on Fixed Loans	386.55	61.92
	Finance Charges	18.30	6.75
	Sub Total	602.98	144.28
	Less : Transferred to Fixed Assets	405.89	15.32
	Total B :	197.09	128.96
C	**TRIAL RUN EXPENSES**		
	Raw Materials Consumed	1,212.40	-
	Personnel Cost		
	Salaries, Wages and Bonus	7.86	-
	Contribution to Provident and Other Funds	0.16	-
		8.02	-
	Manufacturing, Selling and Distribution and Administrative Expenses		

	Consumption of Stores and Spares		55.75		-
	Labour Charges		7.14		-
	Power and Fuel		75.72		-
	Repairs and Maintenance : Others		0.21		-
	Rent and Hire Charges		5.01		-
	Legal and Professional Charges		1.85		-
	Miscellaneous Expenses		1.93		-
			147.61		-
	Interest and Finance Charges				
	Finance Charges		1.11		-
			1.11		-
	Sub Total		1,369.14		-
	Less:				
	Sales of Finished Goods(Net of Excise duty and cess Rs 59.89 million		680.55		-
	and inclusive of Rs 1.65 million of subsidy on sales tax / value added tax)				
	Stock of Semi Finished Goods Consumed in Production		204.01		-
	Closing stock of Finished Goods at the close of trial-run period		82.44		-
	Sub Total		967.00		-
			402.14		-
	Less : Transferred to Fixed Assets		402.14		-
	Total C:		-		-
	Grand Total (A+B+C)		3,207.44		3,002.56

				(Rs. in million)
Schedule 8: Investments	Shares / Bonds	Face Value per Share / Bond	As at 31st March,2009	As at 31st March,2008
	Nos.	Rs.		
Long Term				
Non Trade				
(Unquoted)				
Calcutta Stock Exchange Limited	16,726	1	33.45	33.45
Bonds				
The West Bengal Financial Corporation Limited	-	100,000	-	0.90
	(9)			
Government Securities				
National Savings Certificate			0.01	0.01
(Deposited with Third Parties)				
(Quoted)				
UCO Bank Limited	1,600	10	0.02	0.02
Vijaya Bank Limited	200	10	0.01	0.01
Allahabad Bank Limited	5,344	10	0.44	0.44
Talbros Automotive Component Limited	5,682	10	0.58	0.58
Shyama Infosys Limited	366,200	10	2.59	2.59
Shri Nidhi Trading Company Limited	10,500	10	0.09	0.09
			3.73	3.73
Less: Provision for Diminution in Value of Investments			0.48	-
			3.25	3.73
			36.71	38.09
Aggregate Value of Investments				
- Quoted			3.25	3.73
- Unquoted			33.46	34.36
Market Value of Quoted Investments			3.32	3.69

	(Rs. in million)	
	As at 31st March,2009	As at 31st March,2008
Schedule 9: Inventories		
Raw Materials	4,003.54	3,041.71
[Including in transit Rs. 357.32 million (Rs.464.18 million)]		
Stores and Spares	349.19	185.53
[Including in transit Rs. 3.29 million (Rs. 4.82 million)]		
Work - in - Process	84.77	10.38
Finished Goods	781.70	1,420.44
By Products	85.81	88.49
	5,305.01	4,746.55
Schedule 10: Sundry Debtors		
(Unsecured ,Considered Good unless otherwise stated)		
Debts outstanding for more than six months		
Considered good	384.48	390.60
Considered doubtful	11.74	26.88
Other Debts	2,241.93	1,724.67
	2,638.15	2,142.15
Less : Provision for Doubtful Debts	11.74	26.88
	2,626.41	2,115.27
Schedule 11: Cash and Bank Balances		
Cash in hand	7.46	5.98
Cheques in hand	32.25	13.48
Balance with Scheduled Banks on:		
Current Account	66.63	68.34
Fixed Deposit Account #	117.81	124.62
Unclaimed Dividend Account	0.46	0.33
Unclaimed Fractional Share Balance	0.02	0.02
	224.63	212.77

 # Receipts aggregating to Rs. 117.71 million (Rs. 74.63 million) pledged with Banks as Margin Money against Borrowings / Other facilities

Schedule 12: Loans and Advances		
(Unsecured, Considered Good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	647.19	1,350.63
[Net of Provision for Doubtful Advances Rs.31.56 million (Rs. Nil)]		
Loans to Bodies Corporate (Receivable on demand)	970.00	1,220.00
Interest Receivable on Loans, Deposits etc	23.12	6.33
Share Application Money	0.64	-
Security Deposits	27.12	27.33
MAT Credit Entitlement	158.87	156.57
Balance with Excise and other Government Authorities	269.78	368.77
Subsidies and Incentives Receivable	552.98	429.71
Advance payment of Income Tax and Refunds Receivable (net of provisions)	56.32	-
Sales Tax and Other Refunds Receivable	43.87	43.90

		2,749.89	3,603.24

			(Rs. in million)
		As at 31st March,2009	As at 31st March,2008
Schedule 13: Current Liabilities and Provisions			
A.	**Current Liabilities**		
	Acceptances	381.14	104.82
	Sundry Creditors for goods, services and expenses		
	(a) Dues towards Capital Goods	529.63	521.58
	(b) Dues to Other Creditors	2,071.00	1,243.06
	Advances from Customers	179.38	356.55
	Creditors for other finance	95.18	221.07
	Amount payable to HEG Limited towards acquisition	-	409.05
	Investor Education and Protection Fund		
	(To be deposited as and when due)		
	(a) Unclaimed Dividend	0.46	0.33
	(b) Unclaimed Fractional Shares Liability	0.02	0.02
	Interest Accrued but not due on Loans	1.29	2.24
		3,258.10	2,858.72
B.	**Provisions :**		
	Gratuity	10.52	14.43
	Leave Salary	7.39	5.74
	Proposed Dividend	22.19	47.12
	Tax on Proposed Dividend	3.77	8.01
	Income Tax (Net of Advances)	-	44.60
	Fringe Benefit Tax (Net of Advances)	0.93	1.84
		44.80	121.74
Schedule 14: Miscellaneous Expenditure			
	(To the extent not written off or adjusted)		
	Opening Balance	-	19.55
	Less: Transfer from Securities Premium Account	-	19.55
		-	-

(Rs. in million)

	2008 - 09	2007-08
Schedule 15: Sales and Services		
Finished Goods	17,677.82	14,403.71
Subsidy on Sales Tax / Value Added Tax	246.74	110.05
[Inlcuding Rs.32.81 million (Rs. 51.99 million) for ealier years]		
Saleable Scraps and By Products	202.55	59.84
Conversion Charges	241.57	140.97
Raw Materials	500.12	174.29
Service and other Charges	83.13	180.37
Export Incentives	1.49	-
	18,953.42	15,069.23
Schedule 16: Other Income		
Interest on :		
(a) Fixed Deposits with Banks	11.19	7.83
[Tax deducted at Source Rs 2.35 million (Rs.0.97 million)]		
(b) Loans, Advances etc	197.44	72.43
[Tax deducted at Source Rs.7.79 million (Rs.16.11 million)]		
Brokerage and Commission Received	52.01	379.98
Dividend Income from long term non trade Investments	0.03	0.03
Insurance Claims	5.91	0.20
Reversal of provision for doubtful debts	15.14	-
Liabilities no longer required written back	17.64	37.51
Miscellaneous Income	16.62	67.87
	315.98	565.85

		(Rs. in million)
Schedule 17: (Increase)/Decrease in stocks	2008 - 09	2007-08
Opening Stocks :		
Finished Goods	1,420.44	536.83
Work-in-Process	10.38	-
By Products	88.49	8.40
	1,519.31	545.23
Add: Stock transferred from Trial Run	82.45	-
: Stock acquired under scheme of Arrangement	-	52.83
	1,601.76	598.06
Less:		
Closing Stocks :		
Work-in-Process	84.77	10.38
Finished Goods	781.70	1,420.44
By Products	85.81	88.49
	952.28	1,519.31
	649.48	(921.25)
Schedule 18: Raw materials consumed		
Opening Stock	3,041.71	2,015.88
Add : Stock acquired under scheme of Arrangement	-	62.59
Add: Purchases *****	12,104.13	7,917.95
	15,145.84	9,996.42
Less: Closing Stock	4,003.54	3,041.71
	11,142.30	6,954.71

* Includes loss on exchange fluctuation Rs.163.72 million (Rs.0.78 million) and Semi Finished Goods Transferred from Trial Run Rs.160.59 million (Rs. Nil)

Schedule 19: Manufacturing expenses		
Consumption of Stores and Spares	630.00	442.08
Labour Charges	266.36	182.67
Power and Fuel	1,087.90	745.81
[Net of Subsidy Rs. 11.02 million (Rs. 231.87 million, including		
Rs. 198.71 million for period prior to 2007-08)]		
Repairs and Maintenance:		
- Plant and Machinery	140.39	79.25
- Buildings	19.22	1.26
- Others	12.38	15.00
Water Charges	30.33	23.13
Other Expenses	9.66	9.24
	2,196.24	1,498.44

	(Rs. in million)	
	2008 - 09	2007-08
Schedule 20: Personnel Cost		
Salaries, Wages and Bonus	285.44	163.98
Contribution to Provident and Other Funds	30.39	15.85
Staff Welfare Expenses	14.86	9.60
	330.69	189.43
Schedules : 21 Selling, Distribution and Administrative Expenses		
Freight and Transportation	182.16	186.78
Rent and Hire Charges	53.43	30.89
Export Duty	36.89	-
Rates and Taxes	11.28	30.93
Insurance	16.19	18.45
Advertisement	13.38	16.43
Brokerage and Commission (Other than Sole Selling Agents)	14.92	12.95
Travelling and Conveyance	32.68	20.84
Telephone and Postage Charges	8.63	5.12
Legal and Professional Charges	24.43	16.75
Directors' Fees	0.15	0.14
Auditors' remuneration		
- Audit Fees	2.25	2.00
- Limited Review Fees	1.95	1.20
- In Other Capacity for certificates and others	0.79	0.38
- For Expenses	0.11	0.03
Remuneration to the Auditors of Subsidiary Company / Joint Venture		
- Audit Fees	0.20	0.20
- In Other Capacity for certificates and others	0.12	0.05
Irrecoverable Debts and Advances written off	7.66	0.49
Provision for Doubtful Debts / Advances	31.56	26.88
Provision for Diminution in the Value of Investments	0.48	-
Loss on Forward Exchange Contracts / Exchange Fluctuation (Net)	81.67	35.67
Charities and Donations	1.98	0.98
Security and Service Charges	31.59	21.00
Loss on Sale of Fixed Assets	1.88	0.34
Miscellaneous Expenses	55.05	36.90
	611.43	465.40
Schedules : 22 Interest and Finance Charges		
Interest on :		
- Fixed Loans	701.41	891.42
[Net of Subsidy Rs. 15.17 million (Rs. 62.33 million, inluding		
Rs. 40.26 million for period prior to 2007-08)]		
- Other Loans	576.65	160.87
Finance Charges	45.49	57.04

1,323.55	1,109.33

1. Significant Accounting Policies

a) PRINCIPLES OF CONSOLIDATION:

i) The Consolidated Financial Statements which relate to Jai Balaji Industries Limited and its subsidiary and joint venture, have been prepared on the following basis :

ii) In terms of Accounting Standard 21 – 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the financial statements of the Company and its Subsidiary are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra-group balances, intra-group transactions and any unrealized profit/loss included therein.

iii) The difference of the cost to the Company of its investment in Subsidiary as at the date of acquisition of stake is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. Any such difference arising subsequently is adjusted against Profit and Loss Account

iv) The Subsidiary Company considered in the financial statements is as follows :

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership / interest as at	
		March 31, 2009	March 31, 2008
Nilachal Iron & Power Ltd (NIPL)	India	100%	100% *

*** NIPL became subsidiary of the Company with effect from October 26, 2007, its financial statements have been consolidated for the period from October 26, 2007 to March 31, 2008.**

v) In terms of Accounting Standard 27 – 'Financial Reporting of Interests in Joint Venture' issued by the Institute of Chartered Accountants of India, the Company has prepared these consolidated financial statements by including the Company's proportionate interest in the Joint Venture's assets, liabilities, income and expenditure etc in the consolidated financial statements as separate line items.

vi) The Joint Venture Company considered in the financial statements is as follows :

Name of the Joint Venture Company	Country of Incorporation	Proportion of Ownership / interest as at	
		March 31, 2009	March 31, 2008
Rohne Coal Company Private Ltd	India	6.90%	-

vii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.

viii) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended 31st March 2009.

(b) Basis of preparation of Accounts

i. The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes discussed more fully below, are consistent with those used in the previous year.

ii. During the year, the Subsidiary company has changed its method of valuation of inventories from 'At Cost' to 'At Lower of Cost and Net Realizable Value'. There has been no effect on the profit for the year due to the above change.

iii. During the year ended March 31, 2008, the Subsidiary company has changed its method of valuation of raw materials from "First in First Out" to "Weighted Average" basis. Due to this change, the profit for that year is lower by 2.77 million.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price inclusive of duties (net of CENVAT and VAT Credit), taxes, incidental expenses, erection / commissioning expenses and interest etc. upto the date the asset is ready to be put to use.

Own produced materials used for fixed assets are capitalised at cost.

Machinery spares which can be used only in connection with a particular item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.

(e) Depreciation

i) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

ii) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

iii) Depreciation on Railway Wagons acquired by the Company is provided @ 10% p.a. as against 4.75% p.a. as prescribed in Schedule XIV because of the conditions prescribed in the agreement with Railway Authorities.

iv) In case of Subsidiary depreciation is provided on Straight Line Method in accordance with the provisions of Schedule XIV to the

		Companies Act, 1956.
	v)	In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

(f) Borrowing Costs

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(g) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their value in use. For the calculation of the value in use of the estimated future cash flows are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

(h) Fixed Assets acquired under Leases

Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(i) Government grants and subsidies

Grants and subsidies from the government are recognized when there is a reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Grants received for Capital Assets are treated as Reserve and adjusted proportionately to Depreciation Account over the specified life of the respective fixed assets.

(j) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(k) Inventories

Inventories are valued as follows:

Raw materials	At lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Stores and Spares	At lower of cost and net realizable value. Cost is determined on ‘First in First Out’ basis except for Durg unit where the cost is determined on weighted average basis.
Work-in- Process and Finished Goods	At lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
Scrap and By Products	At net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(l) Revenue Recognition

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

Sale of Goods

Revenue from sale of goods is recognized on passage of title thereof to the customers, which generally coincides with delivery. Further, sales are inclusive of excise duty, but are net of returns, claims, rebates, discounts, Sales Tax, VAT etc.

Income from Services

Income from Services is recognized on performance of the contract and acceptance of the services by the customers.

Interest

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

Dividend

Dividend income is recognized when the shareholders’ right to receive payment is established by the balance sheet date.

(m) Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement / conversion of monetary items are recognized as income or as expenses in the period in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense

	for the year.
(n)	**Retirement and other employee benefits**
	i. Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contribution is charged to Profit and Loss Account of the year when the contributions to the fund is due. There is no other obligation other than the contribution payable to provident fund. ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year. iii. Short term compensated absences are provided for based on estimates whereas long term compensated absences are provided for on the basis of actuarial valuation, as per projected unit credit method. iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.
(o)	**Taxation**
	Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.
(p)	**Expenditure on new projects and substantial expansion**
	Expenditure directly relating to construction activity are capitalised. Indirect expenditure incurred during construction period are capitalised as part of the indirect construction cost to the extent to which the expenditure are indirectly related to construction or are incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which are not related to the construction activity nor are incidental thereto are charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.
(q)	**Segment Reporting Policies**
	Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard-17, the Company is predominantly engaged in a single reportable segment of Iron and Steel during the year. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron & Steel and hence treated as a single reportable segment as per Accounting Standard-17. The Company at present primarily operates in India and therefore the analysis of geographical segments is not applicable to the Company.
(r)	**Earnings Per Share**
	Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares / instruments are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
(s)	**Provisions**
	A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.
(t)	**Cash and Cash Equivalents**
	Cash and cash equivalents as indicated in the Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.
(u)	**Derivative Instruments**
	As per the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts, other than those covered under Accounting Standard 11, are marked to a market on a portfolio basis, and the net loss after considering the offsetting effect of the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.
(v)	**Contingent Liabilities**
	Contingent liabilities are not provided for in the accounts and are separately disclosed in the "Notes on Accounts"

Notes on Accounts:

(Rs. in million)

			As at 31st March,2009	As at 31st March,2008
2.	Contingent liabilities not provided for:			
	a)	Claims against the Company not acknowledged as debts		
		i) Excise and Service Tax Demands under dispute/ appeal [out of the same, Rs. 2.00 million (Rs.2.00 million) has been paid under protest]	153.67	54.46
		ii) Sales Tax / VAT matters under dispute/appeal	1,072.79	283.07
		iii) Others	2.63	2.63

	b)	Letters of Credit, Bills discounted and Bank Guarantees outstanding	596.00	442.49
	c)	Guarantees and Counter guarantees given by the Company for loans obtained by subsidiary company	1,50.00	-
	d)	Guarantee given for M/s Rohne Coal Company Private Limited, a Joint Venture Company	90.00	-

3.	Estimated amount of contracts remaining to be executed on Capital Account and not provided for [Net of Advances Rs. 151.92 million (Rs. 691.40 million)]	362.92	798.55

4. M/s Tisco Growth Shop had made net claim of Rs. 3.52 million on the Subsidiary of the Company on account of supply of materials and consultancy charges, out of which Rs. 2.82 million is provided in the books of account. However, the company has filed counter claim of Rs. 50 million on them on account of supply of faulty drawings, defects in design, use of excess steel, poor supervision, incorrect estimation of project cost, damage to assets etc. The same is pending adjustment in the books of accounts as the matter is under negotiation.

5. Unlike in the past, expenditure incurred by the Company in connection with the issue of securities have been appropriated from Securities Premium Account. The amount so appropriated stands at Rs. 82.48 million (including Rs.19.55 million carried forward as Miscellaneous Expenditure for earlier years).

6. Assets taken on finance lease include Railway Wagons included under Plant & Machinery and Vehicles. At the expiry of the lease period, legal title would be passed to the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

Future obligations towards lease rentals (inclusive of finance charges) Rs.46.76 million (Rs.80.57 million) under the respective finance lease agreements as on the date of balance sheet are as per details given below:

(Rs. in million)

Particulars	2008-09	2007-08
Total minimum lease payments at the year end	46.76	80.57
Less : Amount representing finance charges	3.07	8.34
Present value of minimum lease payments	43.69	72.23
Lease payments for the year	37.33	37.74
Minimum Lease Payments :		
Not later than one year: Present value as on 31.03.2009 Rs.33.72 million (Rs. 31.42 million)	36.54	37.12
Later than one year but not later than five years: Present value as on 31.03.2009 Rs.9.97 million (Rs. 40.81 million)	10.22	43.45
Later than five years: Present value as on 31.03.2009 Rs. Nil (Rs. Nil)	-	-

7. **Gratuity and Leave**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to gratuity on terms not less favourable than The Provisions of Payment of Gratuity Act, 1972. During the year the Company has funded its gratuity liability with an insurance company in the form of a qualifying insurance policy.

In case of subsidiary company the aforesaid scheme is unfunded.

The disclosures required under Accounting Standard 15 'Employee Benefits' notified in the Companies (Accounting Standards) Rules 2006 are given below:

I. Expenses recognized in the statement of Profit & Loss Account:

(Rs in million)

Particulars	**Gratuity**		**Leave**	
	2008-09	2007-08	2008-09	2007-08
Current service cost	4.35	2.16	0.44	0.27
Interest cost on benefit obligation	1.05	0.54	0.42	0.34
Expected return on plan assets	(0.30)	-	-	-
Net actuarial loss / (gain) recognised in the year	1.85	3.55	2.28	(1.00)
Total Expenses / (Income)	6.95	6.25	3.14	(0.39)

II. Net Liability / (Assets) recognized in the Balance Sheet :

(Rs in million)

Particulars	Gratuity as at 31st March		Leave as at 31st March	
	2009	2008	2009	2008
Present value of Defined Benefits Obligation	18.98	14.43	7.39	5.74

Net Liability	10.53	14.43	7.39	5.74

III. Change in the present value of the defined benefit obligation during the year as follows:

(Rs in million)

Particulars	Gratuity		Leave	
	2008-09	2007-08	2008-09	2007-08
Present Value of Defined Benefit Obligation at the beginning of the year	14.43	9.69	5.74	6.14
Current Service Cost	4.35	1.91	0.44	0.27
Interest Cost	1.05	0.51	0.42	0.34
Benefits Paid	(3.68)	(1.88)	(1.49)	-
Actuarial Loss / (Gain)	2.83	3.61	2.28	(1.00)
Present Value of Defined Benefits Obligation at the year end	18.98	13.84	7.39	5.75

IV. Change in the Fair Value of Plan Assets during the year ended as follows:

(Rs in million)

Particulars	Gratuity		Leave	
	2008-09	2007-08	2008-09	2007-08
Fair Value of Plan Assets at the beginning of the year	-	-	-	-
Expected Return	0.30	-	-	-
Contribution by employer	10.85	1.88	-	-
Benefits paid	(3.68)	(1.88)	-	-
Actuarial Gains/ (Losses)	0.98	-	-	-
Fair Value of Defined Benefit Obligation at the year end	8.45	-	-	-

.V. The major categories of plan assets as a percentage of the fair value of the total plan assets

Particulars	Gratuity		Leave	
	2008-09	2007-08	2008-09	2007-08
Investment with the insurer	100%	N.A	N.A	N.A

VI. The principal assumptions used in determining gratuity and leave obligations for the Company's plans are shown below.

Particulars	Gratuity		Leave	
	2008-09	2007-08	2008-09	2007-08
Discount Rate	7.75%	8.30%	7.75%	8.30%
Expected Rate of return on assets	8.30%	N.A	N.A.	N.A
Rate of increase in salaries for Holding Co.	10%	10%	10%	10%
Rate of increase in salaries for Subsidiary Co.	7.50%	10%	-	-
Expected Average remaining working lives of employees (years) for Holding Co.	26.33	22.12	25.35	19.73

Rs in million

Particulars	2008-09	2007-08
Contribution to Provident and Other Funds	23.16	15.45

Note:

i. The Company expects to contribute Rs 9.30 million to Gratuity Fund in financial year 2009-10

ii. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The above information is certified by the Actuary.

iii. The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.

8. a) During the year March 31, 2008 the Company has issued 9,600,000 Warrants to the Promoters and others carrying a right to convert each warrant into an Equity Share of Rs. 10 each at a premium of Rs.316.90 each warrant within a period of 18 months from the date of allotment i.e. 7th February 2008. The warrant holders have paid Rs. 617.84 million as application money against the above equity share warrants.

b) The Company has also issued 8,359,000 Zero Coupon Compulsorily Convertible Debentures at a price of Rs. 326.90 each to Foreign Equity Investors, in 2007-08. The debenture holders have the option to convert each debenture at any time into an equity share of Rs.10 each at a premium of Rs. 316.90 per debenture within 18 months from the date of allotment i.e. 7th February 2008.

9. Unhedged Foreign Currency Exposures outstanding at the year end are as follows:

Sr.No	***Particulars***	***As at 31st March, 2009***			***As at 31st March, 2008***		
		Amount in Foreign Currency		***Rs in million***	***Amount in Foreign Currency***		***Rs in million***
Receivables							
(a)	***Sundry Debtors***	***US$***	***-***	***-***	***US$***	***7,411***	***0.30***

	Total			***45.04***			***36.32***
Payables							
(c)	***Sundry Creditors***	***US$***	***1,045,024***	***53.24***	***-***	***-***	***-***
		Euro	***1,053,755***	***71.11***	***Euro***	***87,525***	***5.52***
(d)	***Foreign Currency Loans***	***US$***	***5,862,573***	***298.70***	***-***	***-***	***-***
		Euro	***1,012,605***	***68.33***	***-***	***-***	***-***
	Total			***491.38***			***5.52***

10 Basic and diluted earnings per share:

			2008-09	2007-08
A	Profit after Tax	Rs. in million	18.38	1,216.80
B	Present weighted average number of equity shares (Rs. 10 each)	Nos.	47,114,675	47,114,650
C	Weighted average number of equity shares allotted	Nos	47,114,675	47,114,650
D	Weighted average number of equity shares which would be issued on the conversion of			
	(i) Compulsorily Convertible Debentures	Nos	8,359,000	1,482,421
	(ii) Equity Warrants	Nos	1,890,000	188,576
E	Potential weighted average number of Equity Shares	Nos	57,363,675	48,785,647
F	Basic Earning per Share	Rs.	0.39	25.83
G	Diluted Earning per Share	Rs.	0.32	24.94

11 The break-up of major components of Net Deferred Tax Liabilities as on the Balance Sheet date is as under:

(Rs. in million)

Particulars	As at 31st March,2009	As at 31st March,2008
Deferred Tax Liability		
Timing Difference on Depreciable assets	1,188.08	826.43
Sub total (A)	1,188.08	826.43
Deferred Tax Asset		
Unabsorbed Depreciation / Losses	376.36	95.74
Expenses allowable on payment basis/other timing differences	39.85	34.15
Sub total (B)	416.21	129.89
Deferred Tax Liabilities (Net) (A-B)	771.87	696.54

12 During the year ended 31st March 2008, Current Tax and Minimum Alternate Tax (MAT) Credit Entitlement included Rs. 40.98 million towards MAT for earlier year. Further, deferred tax charge for the year ended 31st March 2008 is net of Rs. 26.55 million, being excess deferred tax liability provided in earlier years.

13 Excise duty on increase/decrease in stock represents differential excise duty on opening and closing stock of Finished Goods.

14 **Related Party Disclosures**

a. Name of Related Parties :

Joint Venture Partners	***JSW Steel Limited*** ***Bhushan Power & Steel Limited***
Key Management Personnel	***Mr. Aditya Jajodia, Chairman and Managing Director*** ***Mr. Sanjiv Jajodia ,Wholetime Director*** ***Mr. Aashish Jajodia, Wholetime Director of Subsidiary***
Relatives of Key Management Personnel	***Mr. Rajiv Jajodia, Brother of Wholetime Director*** ***Mr. Devendra Prasad Jajodia, Brother of Wholetime Director*** ***Mr. Gaurav Jajodia, Nephew of Wholetime Director*** ***Smt. Kanchan Jajodia, Sister-in-law of Wholetime Director*** ***Smt. Rina Jajodia, Sister-in-law of Chairman and Managing Director*** ***Smt. Sangeeta Jajodia, Wife of Wholetime Director*** ***Smt. Shashi Devi Jajodia, Sister-in-law of Wholetime Director*** ***Smt. Seema Jajodia, Wife of Chairman and Managing Director***
Enterprises owned or significantly influenced by key management personnel or their relatives	***Chandi Steel Industries Limited*** ***Jai Balaji Jyoti Steels Limited*** ***Jai Salasar Balaji Industries (P) Limited*** ***Balaji Ispat Udyog*** ***Jai Balaji Shakti Cement Limited*** ***Enfield Suppliers Limited*** ***Hari Management Limited*** ***Jain Vanijya Udyog Limited*** ***Jajodia Estate Private Limited*** ***K.D.Jajodia Steel Industries (P) Limited*** ***Sumangalaya Balaji Steels Limited.*** ***Marutaye Balaji Steels Limited***

b. Related Party transactions :

(Rs in million)

Particulars	**Joint Venture Partner**	**Key Management Personnel**	**Relatives of Key Management Personnel**	**Enterprises owned or significantly influenced by key management personnel or their relatives**	**Total**
Sales of Finished Goods and Raw Materials					
Chandi Steel Industries Limited				273.48	273.48
				(212.26)	(212.26)
Jai Balaji Jyoti Steels Limited				162.93	162.93
				(28.89)	(28.89)
Jai Salasar Balaji Industries (P) Limited				165.59	165.59
				(89.03)	(89.03)
Others				-	-

Particulars	Joint Venture Partner	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
					(Rs in million)
				(0.21)	(0.21)
Purchases of Raw Materials / Others					
Jai Balaji Jyoti Steels Limited				337.94	337.94
				(231.08)	(231.08)
Jai Salasar Balaji Industries (P) Limited				194.64	194.64
				(48.77)	(48.77)
Others				23.21	23.21
				(9.79)	(9.79)
Salary / Managerial Remuneration					
Mr. Aditya Jajodia		0.60			0.60
		(0.65)			(0.65)
Mr. Sanjiv Jajodia		0.57			0.57
		(0.48)			(0.48)
Mr. Aashish Jajodia		0.30			0.30
		(0.13)			(0.13)
Rent Expenses					
Jajodia Estate Private Limited				0.07	0.07
				(0.07)	(0.07)
Dividend Paid					
Mr. Sanjiv Jajodia		2.65			2.65
		(2.25)			(2.25)
Mr. Aditya Jajodia		2.83			2.83
		(2.41)			(2.41)
Mr. Rajiv Jajodia			1.57		1.57
			(1.33)		(1.33)
Mr. Gaurav Jajodia			0.11		0.11
			(-)		(-)
Enfield Suppliers Limited				11.22	11.22
				(9.54)	(9.54)
Hari Management Limited				7.05	7.05
				(5.99)	(5.99)
Jai Salasar Balaji Industries (P) Limited				1.00	1.00
				(0.85)	(0.85)
K.D.Jajodia Steel Industries (P) Limited				1.69	1.69
				(1.44)	(1.44)
Others			1.92	0.09	2.01
			(1.72)	(-)	(1.72)
Share Application Money Paid / Refunded					

				(Rs in million)	
Particulars	**Joint Venture Partner**	**Key Management Personnel**	**Relatives of Key Management Personnel**	**Enterprises owned or significantly influenced by key management personnel or their relatives**	**Total**
Jai Balaji Shakti Cement Limited				-	-
				(100.00)	(100.00)
Money received against Equity Warrants					
Smt. Kanchan Jajodia			-		-
			(6.54)		(6.54)
Mr. Aashish Jajodia			-		-
			(6.54)		(6.54)
Mr. Aditya Jajodia		-			-
		(16.35)			(16.35)
Mr. Devendra Prasad Jajodia			-		-
			(6.54)		(6.54)
Mr. Gaurav Jajodia			-		-
			(6.54)		(6.54)
Mr. Rajiv Jajodia			-		-
			(16.35)		(16.35)
Mr. Sanjiv Jajodia		-			-
		(16.35)			(16.35)
Smt. Rina Jajodia			-		-
			(6.54)		(6.54)
Smt. Sangeeta Jajodia			-		-
			(6.54)		(6.54)
Smt. Shashi Devi Jajodia			-		-
			(6.54)		(6.54)
Smt. Seema Jajodia			-		-
			(6.54)		(6.54)
Enfield Suppliers Limited				-	-
				(304.02)	(304.02)
Hari Management Limited				-	-
				(202.68)	(202.68)
Interest Received					
Jai Balaji Jyoti Steels Limited				170.39	170.39
				(63.34)	(63.34)
Others				-	-
				(4.90)	(4.90)
Reimbursement of Expenses					
JSW Steel Limited	0.45				0.45
	(-)				(-)

(Rs in million)

Particulars	Joint Venture Partner	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Bhushan Power & Steel Limited	2.80				2.80
	(-)				(-)
Balance Receivable as at the year end					
Jai Balaji Jyoti Steels Limited				14.23	14.23
				(154.76)	(154.76)
Chandi Steel Industries Limited				16.08	16.08
				(115.65)	(115.65)
Jai Salasar Balaji Industries (P) Limited				17.16	17.16
				(-)	(-)
Guarantees Obtained					
Mr. Aditya Jajodia		15,013.69			15,013.69
		(10,856.77)			(10,856.77)
Mr. Sanjiv Jajodia		15,013.69			15,013.69
		(10,856.77)			(10,856.77)
Mr. Rajiv Jajodia			15,013.69		15,013.69
			(10,856.77)		(10,856.77)
Mr. Aashish Jajodia		188.83			188.83
		(145.67)			(145.67)
Balance Payable as at the year end					
Jai Salasar Balaji Industries (P) Limited				-	-
				(1.00)	(1.00)
Loan Receivable Outstanding as at the year end					
Jai Balaji Jyoti Steels Limited				850.00	850.00
				(1,100.00)	(1,100.00)

15	In terms of Accounting Standard Interpretation – 15 issued on Accounting Standard – 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, additional information pursuant to requirements of Part II of Schedule VI to The Companies Act, 1956, have not been disclosed in these Notes.
16	Figures for the year ending March 31, 2008, including those given in the brackets, have been rearranged / regrouped wherever necessary to confirm to the classification of the figures for the year ending March 31, 2009.
17	All the figures in the Reformatted Consolidated Financial Statements are extracted from the Audited Consolidated Financial Statements for the years ended March 31, 2009 and March 31, 2008 on which the Auditors have issued their opinions, dated June 30, 2009 and June 30, 2008 respectively, any event subsequent to the said dates have not been considered / adjusted.
18	The amount as at and for the year ended March 31, 2009 and March 31, 2008 expressed in INR million solely for the purpose of convenience of the reader as against figures given in INR lacs in the audited financial statements, and rounded off to two nearest decimal places.

As per our attached examination report of even date

For and on behalf of the Management (Finance) Committee

For S. R. Batliboi & Co.
Chartered Accountants

per R K Agrawal
Partner
Membership No. 16667

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Place : Kolkata
Date : September 5, 2009

Ajay Kumar Tantia
Company Secretary

Report of Rashmi & Co. on the Reformatted Financial Statements of M/s Jai Balaji Industries Limited for the years ended March 31, 2007

To
The Board of Directors
Jai Balaji Industries Limited
5 Bentinck Street
Kolkata 700 001

Dear Sirs,

1. We have examined the Reformatted Financial Statement (the "Reformatted Statement") of M/s Jai Balaji Industries Limited (the "Company") annexed to this report for the purposes of inclusion in the Placement Document prepared by the Company in connection with the Qualified Institutions Placement ("QIP") of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2009. as amended from time to time. The preparation of the Reformatted Statement is the responsibility of the Company's management. Our responsibility is to report on such statements based on our procedures.

2. We have examined the Reformatted Statement, prepared by the Company based on the Audited Financial Statement, and approved by the Management (Finance) Committee, in accordance with the requirements of:

   a. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

   b. The (Revised) Guidance Note on Reports in Company Prospectuses issued by the Institute of Chartered Accountants of India.

3. We report that the figures disclosed in such Reformatted Statement have been extracted by the Management from the financial statement of the Company for the years ended March 31, 2007, approved by the Board of Directors, which have been audited by us and in respect of which we have issued audit opinions dated July 31, 2007 to the Board of Directors of the Company.

4. In the presentation of the Reformatted Statement based on audited financial statements as referred to in paragraphs 3 above, no adjustments have been made for any events occurring subsequent to the dates of the audit reports specified herein except for amalgamation whose detail have been covered in Point 14 of Notes of accounts of the Reformatted Statement.

5. As stated in our audit reports referred to in paragraph 3 above, we conducted our audit in accordance with the auditing standards generally accepted in India to enable us to issue an opinion on the General Purpose Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

6. Our audits referred to in paragraph 3 above were carried out for the purpose of certifying the General Purpose Financial Statements taken as a whole. For none of the periods referred to in paragraph 3 above, did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, and accordingly, we express no such opinion thereon.

7. We have not audited any financial statements of the Company as of any date or for any period subsequent to March 31, 2007. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to March 31, 2007.

8. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

9. This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should this be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the placement document prepared in connection with the proposed QIP by the Company and is not to be used, referred to or distributed for any other purpose, without our prior written consent.

For Rashmi & Co.
Chartered Accountants

Per R K Agarwala
Partner
Membership No. 16652

Place: Kolkata
Date: September 5th , 2009

Reformatted Balance Sheet as at 31st March 2007

		(Rs. In Millions)
	Schedule	As at 31st March,2007
SOURCES OF FUNDS		
A. Shareholders' Fund :		
a) Share Capital	1	251.12
b) Share Capital Suspense	1A	220.00
c) Reserves and Surplus	2	1,987.79
B. Loan Funds :		
a) Secured Loans	3	5,794.75
b) Unsecured Loans	4	877.77
C. Deferred Tax Liabilities (Net)	5	630.39
TOTAL		9,761.82
APPLICATION OF FUNDS		
A. Fixed Assets:		
a) Gross Block		6,045.68
b) Less : Accumulated Depreciation / Amortisation		430.10
c) Net Block	6	5,615.58
d) Capital Work in Progress and	7	476.80
Pre-operative Expenditure Pending Allocation		
		6,092.38
B. Investments	8	1.95
C 1. Current Assets, Loans and Advances		
a) Inventories	9	2,170.91
b) Sundry Debtors	10	2,235.12
c) Cash and Bank Balances	11	256.41
d) Loans and Advances	12	498.16
		5,160.60
C 2. Less: Current Liabilities and Provisions	13	
a) Current Liabilities		1,447.47
b) Provisions		65.19
		1,512.66
Net Current Assets		3,647.94
D. Miscellaneous Expenditure	14	19.55

(To the extent not written off / adjusted)		
TOTAL		9,761.82
Significant Accounting Policies and Notes on Accounts	23	
The schedules referred to above form an integral part of the Balance Sheet		

As per our attached report of even date	**For and behalf of the Management (Finance) Committee**		
For Rashmi & Co. **Chartered Accountants**			
per R K Agarwala **Partner** Membership No. 16652 Place: Kolkata Date: September 5th, 2009	**Aditya Jajodia** **Chairman and Managing Director**	**Sanjiv Jajodia** **Wholetime Director**	**Ajay Kumar Tantia** **Company Secretary**

Reformatted Profit and Loss Account for the year ended 31st March 2007		
		(Rs. In Millions)
	Schedule	2006-07
		-
INCOME		
Sales and Services	15	11,054.21
Less: Excise Duty		866.30
		10,187.91
Other Income	16	199.94
TOTAL		10,387.85
EXPENDITURE		
(Increase) / Decrease in Stocks	17	(92.94)
Excise Duty & Cess on Stocks		18.45
(Refer Note 9 on Schedule 23)		
Raw Materials Consumed	18	4,036.73
Purchase of Trading Goods		3,413.43
Manufacturing Expenses	19	1,278.71
Personnel Cost	20	63.93
Selling, Distribution and Administrative Expenses	21	123.03
Prior Period Expenditure		(2.77)
Interest and Finance Charges	22	354.14
Depreciation / Amortisation		234.17
TOTAL		9,426.88
Profit Before Tax		960.97
Less:		
Current Tax		81.24
[Including Rs.1.08 millions for earlier years]		
MAT Credit Entitlement		(5.67)
Deferred Tax Charge		262.57
Fringe Benefit Tax		1.12
Total Tax Expenses (Net)		339.26
Profit after Tax		621.71
Add: Balance Brought Forward From Previous Year		712.65
Profit Available for Appropriation		1,334.35
Appropriations		
Proposed Dividend		40.06
Tax on Dividend		6.81
Transfer to General Reserve		20.00
Balance in Profit and Loss Account		1,267.49
		1,334.35

Earning Per Share (Nominal Value per share Rs. 10)		
Basic (Rs.)		13.16
Diluted (Rs.)		13.16
(Refer Note 5 on Schedule 23)		
Significant Accounting Policies and Notes on Accounts	23	
The schedules referred to above form an integral part of the Profit and Loss Account		

As per our attached report of even date	**For and behalf of the Management (Finance) Committee**		
For Rashmi & Co. **Chartered Accountants**			
per R K Agarwala **Partner** Membership No. 16652 Place: Kolkata Date: September 5th, 2009	**Aditya Jajodia** **Chairman and Managing Director**	**Sanjiv Jajodia** **Wholetime Director**	**Ajay Kumar Tantia** **Company Secretary**

Reformatted Cash Flow Statement for the year ended 31st March 2007

			(Rs. In Millions)
			2006-2007
A:	**Cash Flow From Operating Activities**		
	Net Profit Before Taxes		960.98
	Adjustments For :		
	Depreciation / Amortisation		234.18
	Interest and Finance Charges		354.14
	Preliminary Expenses Written off		7.48
	Dividend Income from long term Non Trade Investments		(0.03)
	Interest on Fixed Deposits with Banks / Loans, Advances etc.		(3.93)
	Operating Profit Before Working Capital Changes		1,552.80
	Movement in Working Capital		
	Sundry Debtors		(2,043.71)
	Loans and Advances		(110.04)
	Inventories		(678.30)
	Trade & Other Payables		1,006.70
	Cash Generated From Operating Activities		(272.55)
	Direct Taxes paid (net of refunds)		(36.65)
	Net Cash Used In Operating Activities		(309.20)
B:	**Cash Flow From Investing Activities**		
	Purchase of Fixed Assets		(3,158.32)
	Purchase of Non Trade Investments		(1.04)
	Dividend received from long term Non Trade Investments		0.04
	Interest received on Fixed Deposits with Banks / Loans, Advances etc.		3.93
	Net Cash Used In Investing Activities		(3,155.39)
C:	**Cash Flow From Financing Activities**		
	Proceeds from long / short term Borrowings		2,948.72
	Repayment of long / short term Borrowings		905.05
	Interest and Finance Charges Paid		(354.14)
	Dividend Paid		(31.41)
	Tax on Dividend paid		(4.41)
	Net Cash from Financing Activities		3,463.82
	Net Decrease In Cash and Cash Equivalents (A+B+C)		(0.77)
	Cash and Cash Equivalents as at the beginning of the year		257.19
	Cash and Cash Equivalents as at the end of the year		256.41
	Components of Cash and cash equivalents as at end of the year		
	Cash and Cheques on hand		20.51
	With banks - on current account		156.78

	Fixed Deposits *		79.12
			256.41
	*** Receipts aggregating to Rs.79.12 millions pledged with Banks as Margin Money against Borrowings / Other facilities are not freely available		

As per our attached report of even date	**For and behalf of the Management (Finance) Committee**		
For Rashmi & Co. **Chartered Accountants**			
per R K Agarwala **Partner** Membership No. 16652 Place: Kolkata Date: September 5^{th}, 2009	**Aditya Jajodia** **Chairman and Managing Director**	**Sanjiv Jajodia** **Wholetime Director**	**Ajay Kumar Tantia** **Company Secretary**

Schedules Forming Part of the Reformated Balance Sheet		
		(Rs. In Millions)
		As at 31st
		March,2007
Schedule 1: Share Capital		
Authorised		
26,000,000 Equity shares of Rs. 10 /- each		260.00
		260.00
Issued, Subscribed and Paid up		
25,126,900 Equity shares of Rs. 10 /- each		251.27
Less: Calls in Arrear		0.15
		251.12
Schedule 1A: Share Capital Suspense		
Share Capital Suspense		220.00
22,000,000 Equity Shares of Rs. 10/- each to be issued by the company as fully paid-up shares to the equity shareholders of Shri Ramrupai Balaji Steels Limited pursuant to the scheme of amalgamation with the company (refer Note14 in Schedule 23.)		
		220.00
Schedule 2: Reserves and Surplus		
Capital Reserve		
Balance as per Last Account		7.80
		7.80
Securities Premium Account		
Balance as per Last Account		-
Add : Amount arisen on Amalgamation of erstwhile Shri Ramrupai Balaji Steels Limited (Refer Note 14. of Schedule 23)		240.00
		240.00
Amalgamation Reserve		
Balance as per Last Account		-
Add : Amount arisen on Amalgamation of erstwhile Shri Ramrupai Balaji Steels Limited		440.00
		440.00
General Reserve		
Balance as per Last Account		12.50
Add: Transfer from Profit and Loss Account		20.00
		32.50
Balance in Profit and Loss Account		1,267.49
		1,987.79

				(Rs. In Millions)
				As at 31st

				March,2007
Schedule 3: Secured Loans				
		Term Loans		
		Long Term :		
		Rupee Loans		
		Banks		3,594.22
		Financial Institutions		274.18
		Working Capital Finance		
		From Banks		1,827.43
		Deferred Payment Credits		98.92
				5,794.75
		Notes :		
1		The **Term Loan** is secured in favour of various banks and financial institutions by first equitable mortgage of the entire block of all immovable assets of the units, both present and future on pari passu basis unit-wise separately as under over and above. Lien on some Fixed Deposit Receipts and second charge on the current assets over which first charge is held in favour of banks for working capital sanctioned by them and are guaranteed by few directors:-		
	I.	M.S.Ingot unit at Gopinathpur, Durgapur in favour of WBFC and Canara Bank.		
	II.	Sponge Iron Unit at Mangalpur, Ranigunj in favour of State Bank of India.		
	III.	Captive Power Plant at Mangalpur, Ranigunj in favour of State Bank of India & UCO Bank.		
	IV.	Ferro Alloys Unit at Mangalpur, Ranigunj in favour of UCO Bank.		
	V.	Blast Furnace unit at Banskopa, Durgapur in favour of State Bank of India, State Bank of Patiala, State Bank of Indore, State Bank of Mysore & Allahabad Bank.		
	VI.	Units of formerly Shri Ramrupai Balaji Steels Ltd- Located at Rajbandh, Durgapur		
	a)	Sponge Iron Unit in favour of Central Bank of India, Indian Overseas Bank and West Bengal Financial Corporation.		
	b)	Pig Iron Unit in favour of UTI Bank.		
	c)	Re-rolling Mill Unit-I in favour of UCO Bank and Bank of India and Re-Rolling Mill-II in favour of UCO Bank, Allahabad Bank and State Bank of India.		
	d)	Steel Melting Shop in favour of West Bengal Industrial Corporation Limited.		
	e)	40 MW Captive Power Plant in favour of State Bank of India, Indian Overseas Bank and State Bank of Bikaner and Jaipur.		
	f)	Coal washery unit in favour of Central Bank of India.		
	g)	Ferro Alloys unit in favour of Oriental Bank of Commerce and United Bank of India.		
	h)	Bridge Loan received from W B I D C is secured against lien on Capital Subsidy.		
2		**Working Capital from banks** are secured on pari passu basis by hypothecation of raw materials, finished goods, book debts and other current assets of the units separately as under over and above collateral security by way of personal guarantee of few directors and second charge on the Fixed Assets of the units over which First Charge is held by various banks & Financial Institutions for Term Loans sanctioned by them.		
	I.	Sponge Iron unit at Mangalpur, Ranigunj and M.S.Ingot unit at Durgapur in favour of State Bank of India		

	II.	Captive Power Plant & Ferro Alloys unit at Mangalpur, Ranigunj in favour of State Bank of India & UCO Bank		
	III.	Units of formerly Shri Ramrupai Balaji Steels Ltd - located at Rajbandh, Durgapur		
	a)	Sponge Iron unit in favour of Central Bank of India and Indian Overseas Bank.		
	b)	Pig Iron Unit in favour of UCO Bank and Bank of India.		
	c)	Re-rolling Mill unit in favour of UCO Bank, Allahabad Bank, Bank of India and State Bank of India.		
	d)	Steel Melting Shop in favour of Oriental Bank of Commerce.		
3		**Deferred payment credits** relates to **Equipment Finance Loans** which are secured by hypothecation of equipments acquired under the scheme.		

		(Rs. In Millions)
		As at 31st
		March,2007
Schedule 4: Unsecured Loans		
Short Term Loans		
From Banks		400.00
From Body Corporates		477.77
		877.77
Schedule 5: Deferred Tax Liabilities (Net)		
Balance as per Last Account		367.82
Add: Created for the Year		262.57
		630.39

Schedule 6 : Fixed Assets									(Rs. In Millions)
	Gross Block				Depreciation				Net Block
Description	As at 1st April 2006	Addition	Deductions	As at 31st March 2007	As at 1st April 2006	For the year	Deductions	Up To 31st March 2007	As at 31st March 2007
Land & Land Development	122.01	70.33	-	192.34	-	-	-	-	192.34
Factory Buildings	271.82	367.36	-	639.18	18.35	9.71	-	28.06	611.12
Plant & Machinery	1,897.29	2,548.30	-	4,445.59	126.97	184.25	-	311.22	4,134.37
Electrical Installations	481.06	239.44	-	720.50	40.78	34.21	-	74.99	645.51
Computer & Office Equipment	28.52	5.01		33.53	7.79	4.66		12.45	21.08
Furniture & Fixtures	0.92	0.15	-	1.07	0.05	0.06	-	0.11	0.96
Vehicles	12.52	0.95	-	13.47	1.99	1.28	-	3.27	10.20
Total	**2,814.14**	**3,231.54**	**-**	**6,045.68**	**195.93**	**234.17**	**-**	**430.10**	**5,615.58**

Notes :

(1) In view of Merger of Shri Ramrupai Balaji Steels Limited with the company effective from 01.04.2006, the opening balances of gross block and brought forward depreciation of Shri Ramrupai Balaji Steels Limited on that date amounting to Rs.1475.07 millions and Rs. 96.23 millions respectively has been added with the balance of the company on that date and hence not comparable with previous year figure.

(2) Depreciation has been provided on Straightline method as per Companies Act, 1956.

(3) There is no impairment loss on the assets as per AS-28

			(Rs. In Millions)
Schedule 7: Capital Work in Progress and Pre-Operative Expenditure Pending Allocation			
			As at 31st
			March,2007
A	**Capital Work-in-Progress**		
	Opening Balance		49.05
	Additions		
	Land		11.49
	Buildings		155.18
	Railway Siding		24.80
	Plant and Machinery		1,274.85
	Electrical Installations		123.91
	Capital Advances		-
	Total A :		1,639.28
B	**Pre-operative Expenditure Pending Allocation**		
	Opening Balance		4.06
	Additions		
	Salaries, Wages and Bonus		1.29
	Insurance		0.93
	Travelling and Conveyance		0.59
	Telephone & Postage Charges		0.06
	Miscellaneous Expenses		1.42
	Interest		42.55
	Finance Charges		0.07
	Total B :		50.97
	Grand Total		1,690.24
	Less: Transfer to fixed assets		1,213.45
	Closing Balance		476.80
	A. Capital Work-in-Progress		460.33
	B. Pre-Operative Expenditure pending allocation		16.48
			476.80

			(Rs. In Millions)
			As at 31st
Schedule 8: Investments			March,2007
	No. of Shares / Bonds	Face Value per Share / Bond	
		Rs.	
Long Term (at cost)			
Fully Paid up Equity Shares			
Non Trade (Quoted)			
UCO Bank Limited	1,600	10	0.02
Vijaya Bank Limited	200	10	0.01
Allahabad Bank Limited	5,344	10	0.43
Talbros Automotive Component Limited	5,682	10	0.58
			1.04
Non Trade (Unquoted)			
Bonds			
The West Bengal Financial Corporation Limited	9	100,000	0.90
(Pledged as security against Term Loan from a financial institution)			
Government Securities			
National Savings Certificate			0.01
(Deposited with Third Parties)			
			0.91
			1.95
Aggregate Value of Investments			
- Quoted			1.04
- Unquoted			0.91
Market Value of Quoted Investments			0.70

	(Rs. In Millions)
	As at 31st March,2007
Schedule 9: Inventories	
(At lower of cost and net realisable value)	
Raw Materials	1,951.80
[Including in transit Rs.1,38.37 Millions]	
Stores and Spares	18.71
[Including in transit Rs.1.04 millions]	
Finished Goods	192.00
By Products	8.40
	2,170.91
Schedule 10: Sundry Debtors	
(Unsecured ,Considered Good unless otherwise stated)	
Debts outstanding for more than six months	156.66
Other Debts	2,078.46
	2,235.12
Schedule 11: Cash and Bank Balances	
Cash in hand	9.37
Cheques in hand	11.14
Balance with Scheduled Banks on:	
Current Account	156.50
Fixed Deposit Account *****	79.12
Unclaimed Dividend Accounts	0.28
	256.41

***** Receipts aggregating to Rs. 79.12 millions pledged with Banks as Margin Money against Borrowings / Other facilities

			(Rs. In Millions)
			As at 31st
Schedule 12: Loans and Advances			March,2007
	(Unsecured, Considered Good unless otherwise stated)		
	Advances recoverable in cash or in kind or for value to be received		53.76
	Security Deposits		11.87
	Interest Receivable		2.96
	MAT Credit Entitlement		45.58
	Balance with Excise and other Government Authorities		379.34
	Sales Tax and Other Refunds Receivable		4.65
			498.16

Schedule 13: Current Liabilities and Provisions			
A.	**Current Liabilities**		
	Sundry Creditors for goods, services and expenses		
	(a) Dues to Micro, Small and Medium Enterprises		-
	(Refer Note 12 on Schedule 23)		
	(b) Dues towards Capital Goods		402.50
	(c) Dues to Others		625.81
	Advances from Customers		342.74
	Other Liabilities		74.29
	Investor Education and Protection Fund		
	(To be deposited as and when due)		
	(a) Unclaimed Dividend		0.28
	Interest Accrued but not due on Loans		1.85
			1,447.47
B.	**Provisions :**		
	Gratuity		3.41
	Leave Salary		1.77
	Proposed Dividend		40.06
	Tax on Proposed Dividend		6.81
	Income Tax (Net of Advances)		13.10
	Fringe Benefit Tax (Net of Advances)		0.04
			65.19

	(Rs. In Millions)
	As at 31st
Schedule 14: Miscellaneous Expenditure	March,2007
(To the extent not written off or adjusted)	
Opening Balance	3.23
Add: Transfer from erstwhile Shri Ramrupai Balaji Steels Limited	23.59
Add: Expenses incurred during the year	0.21
	27.03
Less: Transfer from Securities Premium Account	7.48
	19.55

	(Rs. In Millions)
Schedule 15: Sales and Services	2006-07
Finished Goods	11,021.75
Saleable Scraps and By Products	32.46
	11,054.21
Schedule 16: Other Income	
Interest on :	
(a) Fixed Deposits with Banks [Tax deducted at Source Rs.0.81 million]	3.93
(b) Loans, Advances etc	0.00
Commission Received	180.63
Dividend Income from long term non trade Investments	0.04
Insurance Claims	14.54
Miscellaneous Income	0.80
	199.94

Schedule 17: (Increase) / Decrease in Stocks	
Closing Stocks :	
Finished Goods	192.00
By Products	8.40
	200.40
Less:	
Opening Stocks :	
Finished Goods	102.24
By Products	5.22
	107.46
	(92.94)

	(Rs. In Millions)
Schedule 18: Raw Materials Consumed	2006-07
Opening Stock	1,346.51
Add: Purchases *	4,642.02
	5,988.53
Less: Closing Stock	1,951.80
	4,036.73
* Net of sale of Raw Material Rs. 2,22.78 millions	
Schedule 19: Manufacturing Expenses	
Consumption of Stores and Spares	423.24
Labour Charges	87.98
Power and Fuel (Net)	724.10
Repairs and Maintenance:	
- Plant and Machinery	26.92
- Buildings	0.25
- Others	0.40
Water Expenses	13.45
Other Expenses	2.37
	1,278.71

Schedule 20: Personnel Cost	
Salaries, Wages and Bonus	49.41
Contribution to Provident and Other Funds	10.88
Gratuity (Refer Note 11 on Schedule 23)	2.55
Staff Welfare Expenses	1.09
	63.93

Schedules : 21 Selling, Distribution and Administrative Expenses	(Rs. In Millions)
-	2006-07
Freight and Transportation (Net)	26.97
Rent and Hire	6.32
Rates and Taxes	2.27
Insurance	13.69
Advertisement	10.41
Brokerage and Commission (Other than Sole Selling Agents)	4.17
Travelling and Conveyance	11.56
Telephone and Postage Charges	3.28
Printing and Stationery	2.56
Legal and Professional Charges	9.02
Auditors' remuneration	
- Audit Fees	0.10
- Tax Audit Fees	0.02
- In Other Capacity	0.06
- For Expenses	0.01
Loss on Forward Exchange Contract / Exchange Fluctuation (Net)	4.15
Charities and Donations	0.75
Security and Service Charges	11.26
Preliminary Expenses Written off	7.48
Miscellaneous Expenses	8.97
	123.03

Schedules : 22 Interest and Finance Charges	
Interest on	
- Fixed Loans (Net)	162.89
- Other Loans	164.20
Finance Charges	27.05
	354.14

1.	**Significant Accounting Policies**
(a)	**Basis of preparation of Accounts**
	The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes discussed more fully below, are consistent with those used in the previous year.
(b)	**Use of estimates**
	The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon the management's best knowledge of current events and actions, actual results could differ from these estimates.
(c)	**Fixed Assets**
	Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price inclusive of duties (net of CENVAT and VAT Credit), taxes, incidental expenses, erection / commissioning expenses and interest etc. upto the date the asset is ready to be put to use. Own produced materials used for fixed assets are capitalised at cost. Machinery spares which can be used only in connection with a particular item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.
(d)	**Depreciation**
	i) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly. ii) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. No depreciation is provided on Credit of Excise Duty and VAT on purchase of Capital Goods. iii) Depreciation on Railway Wagons acquired by the Company is provided @ 10% p.a. as against 4.75% p.a. as prescribed in Schedule XIV because of the conditions prescribed in the agreement with Railway Authorities.
(e)	**Excise Duty/VAT**
	Credit of Excise duty and taxes available on purchase of input is adjusted with the cost of materials. Credit of duty and taxes on purchase of Capital Goods is reduced from the cost of the assets and no depreciation is charged thereon. Excise Duty paid includes excise duty on sale of finished goods and excise duty in respect of stock of finished goods and scrap & wastes lying in stock with the company.

(f) Borrowing Costs

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(g) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their value in use. For the calculation of the value in use of the estimated future cash flows are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

(h) Fixed Assets acquired under Leases

Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(i) Government grants and subsidies

Grants and subsidies from the government are recognized when there is a reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Grants received for Capital Assets are treated as Reserve and adjusted proportionately to Depreciation Account over the specified life of the respective fixed assets.

(j) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(k) Inventories

Inventories are valued as follows:

Raw materials	At lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Stores and Spares	At lower of cost and net realizable value. Cost is determined on 'First in First Out' basis except for Durg unit where the cost is determined on weighted average basis.
Work-in- Process and Finished Goods	At lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
Scrap and By Products	At net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(l) Revenue Recognition

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

Sale of Goods

Revenue from sale of goods is recognized on passage of title thereof to the customers, which generally coincides with delivery. Further, sales are inclusive of excise duty, but are net of returns, claims, rebates, discounts, Sales Tax, VAT etc.

Income from Services

Income from Services is recognized on performance of the contract and acceptance of the services by the customers.

Interest

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

Dividend

Dividend income is recognized when the shareholders' right to receive payment is established by the balance sheet date.

(m) Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement / conversion of monetary items are recognized as income or as expenses in the period in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense

	for the year.
(n)	**Retirement and other employee benefits**
	i. Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contribution is charged to Profit and Loss Account of the year when the contributions to the fund is due. There is no other obligation other than the contribution payable to provident fund. ii. Provision for Gratuity to employees is recognized on the basis of computation on Balance sheet date as per The Payment of Gratuity Act, 1972. iii. Provision for leave encashment is short term nature and is measured and accounted on the basis of contractual obligations.
(o)	**Taxation**
	Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.
(p)	**Expenditure on new projects and substantial expansion**
	Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period are capitalised as part of the indirect construction cost to the extent to which the expenditure are indirectly related to construction or are incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which are not related to the construction activity nor are incidental thereto are charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.
(q)	**Segment Reporting Policies**
	Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard-17, the Company is predominantly engaged in a single reportable segment of Iron and Steel during the year. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron & Steel and hence treated as a single reportable segment as per Accounting Standard-17. The Company at present primarily operates in India and therefore the analysis of geographical segments is not applicable to the Company.
(r)	**Earnings Per Share**
	Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares / instruments are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
(s)	**Provisions**
	A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.
(t)	**Cash and Cash Equivalents**
	Cash and cash equivalents as indicated in the Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.
(u)	**Derivative Instruments**
	As per the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts, other than those covered under Accounting Standard 11, are marked to a market on a portfolio basis, and the net loss after considering the offsetting effect of the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.
(v)	**Contingent Liabilities**
	Contingent liabilities are not provided for in the accounts and are separately disclosed in the "Notes on Accounts"
(w)	**Miscellaneous Expenditure**
	Preliminary Expenses are amortised over a period of 5 years as per Section 35D of the Income Tax Act.

Notes on Accounts:

(Rs. in millions)

2.	**Contingent liabilities not provided for:**		**As at 31st March,2007**
	a)	Bank Guarantees outstanding	**51.80**
	b)	Estimated amount of contracts remaining to be executed on Capital Account and not provided for	**368.69**
	In view of merger of Shri Ramrupai Balaji Steels Limited with Jai Balaji Industries Limited, the counter corporate guarantee given by each of them in favour of banks for finance facilities to the other has become redundant and hence not considered.		

3.	Assets taken on finance lease include Railway Wagons included under Plant & Machinery and Vehicles. At the expiry of the lease period, legal title would be passed to the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease

arrangements. There are no subleases.
Future obligations towards lease rentals (inclusive of finance charges) Rs.1,15.27 millions under the respective finance lease agreements as on the date of balance sheet are as per details given below:

(Rs. In millions)

Particulars	F Y 2006-07
Total minimum lease payments at the year end	**115.27**
Less : Amount representing finance charges	**16.36**
Present value of minimum lease payments	**98.91**
Lease payments for the year	**37.80**
Minimum Lease Payments :	
Not later than one year: Present value as on 31.03.2007 Rs.28.73 millions.	**37.07**
Later than one year but not later than five years: Present value as on 31.03.2007 Rs.70.18 millions .	**78.20**
Later than five years: Present value as on 31.03.2007 Rs. Nil	**-**

4. **Foreign Currency Transactions are as follows:**

Sr.No	*Particulars*	*As at 31st March, 2007* *Rs in millions.*
CIF Value of Imports		
(a)	*Raw Materials*	*119.18*
(b)	*Stores/ Capital Goods*	*10.37*
Total		*129.55*
Foreign Traveling Expenses		*1.97*

(Rs. in millions)

5.

Basic and diluted earnings per share:			**F Y 2006-07**
A	Profit after Tax (Available for appropriation)	Rs. in millions.	621.72
B	Present weighted average number of equity shares (Rs. 10 each)	Nos.	4,71,11,775
C	Potential weighted average number of Equity Shares	Nos	4,71,11,775
D	Basic Earning per Share	Rs.	**13.16**
E	Diluted Earning per Share	Rs.	**13.16**

6. **Confirmation Of Debtors, Creditors And Dues Of Small Scale Units**

In the absence of balance confirmation from Sundry debtors, Creditors, Loans, Advances, Deposits, which are on selective basis, the balances appearing in the books of accounts have been taken as correct. Small Scale Industrial Undertakings have been identified on the basis of available information as under, out of which a sum of Rs. 1.11 millions was due to parties who had a balance exceeding Rs. 1 Lac for more than 30 days as on 31st March, 2007.

a. Hitech Equipments Pvt. Ltd.
b. Industrial Metal & Wiremesh (Engg) Co.
c. Mitter Systems & Chemicals Pvt. Ltd.
d. Mechanical Wire Industries
e. Electro Mech India.

The Sundry Debtors includes Rs. 9.99 millions for more than 3 years for which the Management is hopeful of recovery and hence the same is not considered doubtful and no provision has been made for the same.

7. **Quantitative Information Relating To The Goods Manufactured/ Traded By The Company.**

A. Quantitative detail of Capacity, Production & stock of Manufactured goods.

Products	Units	Licensed Capacity	Installed capacity	Actual Production	Turnover	Opening Stock	Closing Stock
A. Iron & steel							
Sponge Iron	M/T	5,145,000	225,000	186,462	188,871	3,103	694
Pig Iron	M/T	2,768,750	509,250	23,371	23,155	67	283
Steel Bars/ Rods	M/T	3,000,000	260,000	104,196	103,162	3,115	4,149
Billet/ MS Ingots	M/T	900,112	314,424	225,581	223,796	745	2,530
Ferro Alloys	M/T	30,118	30,118	15,781	15,806	563	538
TOTAL	M/T	11,843,980	1,338,792	555,391	554,790	7,593	8,194
B. Electricity							
Captive	Units	1862 MW	52 MW	54,756,242	148,640	NIL	NIL
Co-Generation	Units			9,757,287	9,757,287	NIL	NIL

The quantity of Production and Turnover of Finished goods includes 88618 MT of Sponge Iron. 20684 MT of Pig Iron, 44328MT of MS Ingots, 48846MT of Billet , 9757287 units of electricity at NIL value which have been used for captive consumption in manufacturing process.

B. Quantitative and Value of Opening and Closing of Finished Goods.

Products	Opening Stock		Closing Stock	
	MT	Rs./ Millions	MT	Rs./Millions
Sponge Iron	3103	22.87	694	8.70
Pig Iron	67	0.46	283	2.52
Steel Bars/ Rods	3115	56.03	4,149	107.47
Billet/ MS Ingots	745	10.23	2530	55.10
Ferro Alloys	563	12.65	538	18.22
TOTAL	**7593**	**102.24**	**8194**	**192.01**

Amount of Opening Stock mentioned above is excluding Excise Duty of Rs. 18.45 Millions which is shown separately.

C. Turnover

Products	Units	Qty	Rs/Millions
Sponge Iron	MT	188,871	1080.25
Pig Iron	MT	23,155	60.95
Steel Bars/ Rods (Less: Sales Tax Remission of Rs. 44.42 Millions)	MT	103,162	2255.47
Billet/ MS Ingots	MT	223,796	2587.73
Ferro Alloys	MT	15,806	289.90
Steel Rods, round etc.	MT	158,990	4735.01
Iron Ore		6,089	12.44
Gross Sales of Finished Goods		**719869**	**11021.75**
Scrap and Wastes (Includes 9096 for captive use at NIL value)	MT	21254	32.46
Gross Sales (Including Excise)			**11054.21**
Less: Excise Duty			866.30
Net Sales		**741123**	**10187.91**

Sales mentioned above is excluding Sales of Raw Material & Stores of Rs. 224.69 millions which has been adjusted with Raw Material consumption and Rs. 140.53 millions which is Power Sales and have been credited to Manufacturing Expenses.

D. Purchases

Products	M/T	Rs./Millions
Steel Rods, round etc.	158990	3404.64
Iron Ore	6089	8.78
TOTAL	**165079**	**3413.42**

E. Consumptions of Raw materials

ITEMS	UNIT	QUANTITY	Rs./Millions
Pig Iron/ Sponge Iron	M/T	251279	1572.05
Coal/ Coke	M/T	286088	555.06
Iron Ore	M/T	329007	1153.68
Billet/ Steel Ignot	M/T	113061	466.04
Quartzite, Limestone, Dolomite Chips, Manganese Ore	M/T	22120	66.95
Steel Scrap & wastes	M/T	31077	222.95
Total		**1032632**	**4036.73**

Note – 1. The above includes 88618 Mt of Sponge Iron, 20684 Mt of Pig Iron, 44328 MT of MS Ingots, 48846 MT of Billet and 9096

MT of Scrap for captive use at Nil Value.

F. Value of Imported and Indigenous materials consumed.

Particulars	Raw Materials Consumed		Stores & Spares Consumed	
	Rs./Millions	**%**	**Rs./Millions**	**%**
Imported	134.67	3.34	10.28	2.43
Indigenous	3902.06	96.66	412.96	97.57
Total	**4036.73**	**100**	**423.24**	**100**

Sales of Raw material & Stores of Rs. 222.78 & Rs. 1.91 Millions, respectively is adjusted with its consumption. Consumption of Furnace Oil of Rs. 79.10 Millions is added to the Manufacturing Expenses.

8. The break-up of major components of Net Deferred Tax Liabilities as on the Balance Sheet date is as under:

(Rs. in Millions)

Particulars	As at 31st March, 2007
Deferred Tax Liability	
Timing Difference on Depreciable assets	**632.13**
Sub total (A)	**632.13**
Deferred Tax Asset	
Expenses allowable on payment basis/other timing differences	**1.74**
Sub total (B)	**1.74**
Deferred Tax Liabilities (Net) (A-B)	**630.39**

9. Excise duty on increase/decrease in stock represents differential excise duty on opening and closing stock of Finished Goods.

10 **Related Party Disclosures**

a. Name of Related Parties :

Key Management Personnel	***Mr. Aditya Jajodia,Chairman*** ***Mr. Sanjiv Jajodia,Whole time Director***
Relatives of Key Management Personnel	***Mr. Rajiv Jajodia,Brother of Whole time Director*** ***Mr. Aashish Jajodia,Brother of Chairman*** ***Smt. Kanchan Jajodia Sister in law of Whole time Director*** ***Smt. Sangita Jajodia wife of Whole time Director*** ***Smt. Seema Jajodia wife of Chairman***
Enterprises owned or significantly influenced by key management personnel or their relatives	***Chandi Steel Industries Limited*** ***Jai Balaji Jyoti Steels Limited*** ***Jai Salasar Balaji Industries (P) Limited*** ***Balaji Ispat Udyog*** ***Enfield Suppliers Limited*** ***Jajodia Estate Private Limited*** ***K.D.Jajodia Steel Industries (P) Limited***

b. Related Party Transactions: (Rs. in Millions)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Sales of Finished Goods and Raw Materials				
Chandi Steel Industries Limited			**204.89**	**204.89**
Jai Balaji Jyoti Steels Limited			**218.12**	**218.12**
Jai Salasar Balaji Industries (P) Limited			**47..57**	**47.57**
Others			**0.11**	**0.11**
Purchases of Raw Materials / Others				
Jai Balaji Jyoti Steels Limited			**248.44**	**248.44**
Jai Salasar Balaji Industries (P) Limited			**45.35**	**45.35**
Others			**5.89**	**5.89**
Salary / Managerial Remuneration				
Mr. Aditya Jajodia	**0.51**			**0.51**
Mr. Sanjiv Jajodia	**0.18**			**0.18**
Rent Expenses				
Jajodia Estate Private Limited			**0.07**	**0.07**
Dividend Paid				
Mr. Sanjiv Jajodia	**2.22**			**2.22**
Mr. Aditya Jajodia	**2.56**			**2.56**
Mr. Rajiv Jajodia		**0.61**		**0.61**
Enfield Suppliers Limited			**8.08**	**8.08**
Jai Salasar Balaji Industries (P) Limited			**1.26**	**1.26**
K.D.Jajodia Steel Industries (P) Limited			**2.05**	**2.05**
Others		**1.72**		**1.72**
Closing Balance				**NIL**

11 **Investors Education And Protection Funds**
Current Liability includes Unpaid Dividend of Rs. 0.28 Millions and Unpaid Share Application Money of Rs. 0.26 Millions representing refund instruments not encashed by investors. No amount is due and outstanding to be credited to Investors Education and Protection Funds

12 **Disclosure Under The Micro, Small And Medium Enterprise Development Act'2006**
The company has not received the required information from the suppliers for their status as required under the above law and accordingly the disclosure regarding the unpaid amount and interest paid and payable have not been given.

13 **Events Occurring After Balance Sheet Date- Accounting Standard 4**
The company has recognised the following events which happened after the Balance Sheet date, in preparation of its financial statements for the year ended 31st March 2007

1) The name of the Company has been **changed from "Jai Balaji Sponge Limited**" to "**Jai Balaji Industries Limited"** vide Fresh Certificate of Incorporation consequent upon Change of Name dated 22nd June,2007 received by the company from Registrar of companies ,West Bengal

2) The Hon"ble Calcutta High Court has vide its order dated 14th June,2007 approved the scheme of **merger of Shri Ramrupai Balaji Steels Limited with Jai Balaji Industries Limited(Formerly Jai Balaji Sponge Limited) effective from 1st April ,2006(appointed date) which has been field with Registrar of Companies West Bengal on 23rd July,2007.**Accordingly the Statement of Accounts of the company has been prepared incorporating all the transactions of Shri Ramrupai Balaji Steel Limited effective from aforesaid appointed date in its books of accounts at book value and as a going concern giving due effect to the scheme of Merger as approved

14 **Disclosure Of Amalgamation Under Accounting Standard 14 Of ICAI**

(a) The Hon'ble Calcutta High Court has vide its order dated 14th June' 2007 approved the merger of Shri Ramrupai Balaji Steels Limited with Jai Balaji Industries Limited (formerly Jai Balaji Sponge Limited) effective from 1st April, 2006 (appointed date) which has been filed with Registrar of Companies West Bengal on 23rd July'2007.

(b) Shri Ramrupai Balaji Steels Limited (amalgamating company) was engaged in Iron and steel and related business similar to the activities

	carried on by the company and has carried out all its business and activities effective from the appointed date in its own name in trust for the company and continue to do the same till various other legal formalities giving effect to the implementation of the scheme are complied. (c) The approved scheme is an amalgamation in the nature of merger and accounting has been done on the basis of "Pooling of Interest Method" as prescribed by AS 14 of ICAI. All assets, liabilities and other transactions of transferee company with effect from the appointed date has been incorporated in the books of the company at book value as a going concern on line by line basis except its subscribed, issued and paid-up capital of Rs. 660 Millions which has been counted as under in the financial statement as per approved scheme. Pending allotment formalities as amount of Rs. 220 Millions representing 2,20,00,000 fully paid equity shares of Rs. 10/- each of the company to be issued to the shareholders of Shri Ramrupai Balaji Steels Limited has been shown as Share Capital Suspense Account. An amount of Rs. 440 Millions representing the difference between the subscribed and paid-up capital of Shri Ramrupai Balaji Steels Limited and the fully paid equity share of the company to be issued to the shareholders of the amalgamating company has been shown as Amalgamation Reserve. As per the approved scheme, the shareholders of Shri Ramrupai Balaji Steels Limited are entitled to one equity share of Jai Balaji Industries Limited for every three Equity shares of Shri Ramrupai Balaji Steels Limited which is being implemented after Balance Sheet Date as per required legal formalities. Therefore, out of paid up share capital of Rs. 66 Crores of Shri Ramrupai Balaji Steels Limited, a sum of Rs. 220 Millions has been included in the Share Capital of the company and balance Rs. 440 Millions has been transferred to the General Reserves of the Company as per the approved scheme.
15	Figures mentioned above have been rearranges / regrouped for the purposes of inclusion in the Placement Document prepared by the Company in connection with the Qualified Institutions Placement ("QIP") of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2009.

As per our attached report of even date	**For and behalf of the Management (Finance) Committee**		
For Rashmi & Co. **Chartered Accountants**			
per R K Agarwala **Partner** Membership No. 16652 Place: Kolkata Date: September 5th, 2009	**Aditya Jajodia** **Chairman and Managing Director**	**Sanjiv Jajodia** **Wholetime Director**	**Ajay Kumar Tantia** **Company Secretary**

DECLARATION

The Company certifies that all relevant provisions of Chapter VIII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on the Company's business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Placement Document are true and correct in all material respects.

MANAGING DIRECTOR

THE COMPANY

Jai Balaji Industries Limited
5, Bentinck Street
Kolkata 700 001
India

JOINT GLOBAL COORDINATORS AND BOOK RUNNERS

Macquarie Capital Advisers (India) Private Limited
Level 4, Earnest House
NCPA Marg
Nariman Point
Mumbai 400 021
India

and

Motilal Oswal Investment Advisors (P) Limited
113/114, 11th Floor
Bajaj Bhavan
Nariman Point
Mumbai 400 021
India

CO-BOOK RUNNING LEAD MANAGER

Centrum Capital Limited
Centrum House, CST Road
Kalina, Santacruz (E)
Mumbai 400 098
India

LEGAL ADVISORS TO THE JOINT GLOBAL COORDINATORS AND BOOK RUNNERS AND THE CO-BOOK RUNNING LEAD MANAGER

Jones Day
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Indian Law
Khaitan & Co.
Meher Chambers
RK Marg, Ballard Estate
Mumbai 400 001
India

LEGAL ADVISORS TO THE COMPANY

As to Indian law
AZB & Partners

Express Towers, 23rd Floor
Nariman Point
Mumbai 400 021
India

AZB House
67-4, 4th Cross, Lavelle Road
Bangalore 560 001
India

STATUTORY AUDITORS OF THE COMPANY

S.R. Batliboi & Co.
22, Camac Street, 3rd Floor, Block C
Kolkata 700 016
India