



Bajaj Hindusthan Limited

(incorporated in the Republic of India with limited liability
under the Indian Companies Act, 1913 with Registration No. 1797/TA)

Bajaj Hindusthan Limited (the “Company”) is issuing up to [●] equity shares of face value Re.1 each (the “Equity Shares”) at a price of Rs.[●] per Equity Share, aggregating Rs.[●] million (the “Issue”).

ISSUE IN RELIANCE UPON CHAPTER XIII-A OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED

THIS ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON CHAPTER XIII-A OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE “SEBI GUIDELINES”). THIS PRELIMINARY 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 OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA.

The distribution of this Preliminary Placement Document or the disclosure of its contents without the Company’s prior consent to any person, other than Qualified Institutional Buyers (as defined in the SEBI Guidelines) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document. See also the section “Issue Procedure”.

This Preliminary 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 or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction.

Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest in this Issue unless they are prepared to take the risk of losing all or part of their investment. Prospective investors are advised to carefully read the section titled “Risk Factors” beginning on page 26 of this Preliminary Placement Document before making an investment decision in this Issue. Each prospective investor is advised to consult its advisors about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Preliminary Placement Document.

The information on the Company’s website or any website directly or indirectly linked to the Company’s website does not form part of this Preliminary Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of the Company’s outstanding Equity Shares are listed on the Bombay Stock Exchange Limited (the “BSE”) and the National Stock Exchange of India Limited (the “NSE”, and together with the BSE, the “Stock Exchanges”). The closing price of the outstanding Equity Shares on the BSE and the NSE on June 26, 2009 was Rs.209.25 and Rs.209.55 per Equity Share, respectively. Applications shall be made for the listing of the Equity Shares offered through this Preliminary Placement Document 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 AUTHORIZED TO (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of this Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the final Placement Document will be filed with the Stock Exchanges. A copy of the final Placement Document will also be delivered to the Securities and Exchange Board of India (the “SEBI”) for record purposes.

THIS PRELIMINARY PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PRELIMINARY PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(2) of the Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

This Preliminary Placement Document is dated June 29, 2009.

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS



CLSA India Limited
8/F Dalamal House
Nariman Point
Mumbai 400 021, India



Deutsche Equities India Private Limited
DB House
Hazarimal Somani Marg, Fort
Mumbai 400 001, India

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NOTICE TO INVESTORS

The Company confirms that, to its best knowledge and belief, having made all reasonable enquiries, this Preliminary 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 Preliminary Placement Document relating to the Company and the Equity Shares are, in material respects, true and accurate and not misleading, the opinions and intentions expressed in this Preliminary 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 the Company 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 Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. The Joint Global Coordinators and Joint Bookrunners have not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Joint Global Coordinators and Joint Bookrunners nor any of their respective members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Joint Global Coordinators and Joint Bookrunners, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the Joint Global Coordinators and Joint Bookrunners or on any person affiliated with the Joint Global Coordinators and Joint Bookrunners 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 authorized to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Company or the Joint Global Coordinators and Joint Bookrunners. The delivery of this Preliminary 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 the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Preliminary Placement Document and the Issue may be restricted by law in certain jurisdictions. As such, this Preliminary 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 authorized or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering material in connection with the Equity Shares 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.

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 Preliminary Placement Document as legal, 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 the Joint Global Coordinators and Joint Bookrunners are 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 eligible to invest in India and in the Company under Indian law, including Chapter XIII-A of the SEBI Guidelines 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.

This Preliminary 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 offering period for physical inspection at the Registered Office of the Company located at Bajaj Bhawan, 2nd Floor, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021, India and at the Company's corporate office located at Bajaj Bhawan, B-10 Jamnalal Bajaj Marg, Sector – 3, Noida 201 301, Uttar Pradesh, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by the terms and conditions of such documents.

References herein to “you” is to the prospective investors in the Issue.

NOTICE FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Representations by Investors

By purchasing any Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to us and the Joint Global Coordinators and Joint Bookrunners as follows:

- you are a qualified institutional buyer as defined in Clause 1.2.1(xxiv a) of the SEBI Guidelines (“QIB”), have a valid and existing registration under applicable laws of India (as applicable), and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter XIII-A of the SEBI Guidelines;
- if you are allotted Equity Shares pursuant to the Issue, you shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the floor of 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. This Preliminary Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. This Preliminary Placement Document has been filed with the Stock Exchanges and has been displayed on the websites of the Company and the Stock Exchanges;
- you are entitled to subscribe for 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 consents in each 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 this participation in the 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 this Preliminary Placement Document) and will honor such obligations;
- neither the Company nor any of the Joint Global Coordinators and Joint Bookrunners is making any recommendation to you, advising you regarding the suitability of any transactions it may enter into in connection with the Issue; your participation in the Issue is on the basis that you are not and will not be a client of any of the Joint Global Coordinators and Joint Bookrunners and that none of the Joint Global Coordinators and Joint Bookrunners has duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and is 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 Equity Shares 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 have been provided a serially numbered copy of this Preliminary Placement Document and have read this 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 the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Company, the Equity Shares and the terms of the Issue, (iii) you have consulted your own independent advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters, 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;
- 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 the Company and the Joint Global Coordinators and Joint Bookrunners 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 authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and to make (and you hereby make) the representations, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;
- you are not a promoter and are not a person related to the promoters, either directly or indirectly and your bid does not directly or indirectly represent the promoter or promoter group or persons related to the promoters 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 such rights acquired in the capacity of a lender not holding any Equity Shares of the Company, which shall not be deemed to be a person related to the promoter;

- you have no right to withdraw your bid after the Bid Closing Date;
- you are eligible to bid and hold Equity Shares so allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- the bids submitted by you would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the “Takeover Code”);
- to the best of your knowledge and belief together with other QIBs in the 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 Issue. For the purposes of this representation;
 - a. the expression “belongs to the same group” shall be interpreted by applying the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act, 1956, as amended (the “Companies Act”); and
 - b. “Control” shall have the same meaning as is assigned to it by clause (1)(c) 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 Joint Bookrunners will have entered into a memorandum of understanding with the Company whereby each of the Joint Global Coordinators and Joint Bookrunners has, subject to the satisfaction of certain conditions set out therein, undertaken severally, and not jointly or jointly and severally, to use their reasonable endeavors as agents of the Company to seek to procure places for the Equity Shares;
- that the contents of this Preliminary Placement Document are exclusively the responsibility of the Company and that neither the Joint Global Coordinators and Joint Bookrunners nor any person acting on their behalf has, or shall have, any liability for any information, representation or statement contained in this Preliminary 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 the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Joint Global Coordinators and Joint Bookrunners or the Company or any other person and none of the Joint Global Coordinators and Joint Bookrunners, the Company or any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- that you are eligible to invest in India under applicable laws, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and have not been prohibited by the SEBI from buying, selling or dealing in securities;
- 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 Preliminary 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 any of the Joint Global Coordinators and Joint Bookrunners or the Company and none of the Joint Global Coordinators and Joint Bookrunners will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;
- you understand that none of the Joint Global Coordinators and Joint Bookrunners 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;
- you agree to indemnify and hold the Company and the Joint Global Coordinators and Joint Bookrunners 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 the representations, warranties, acknowledgements and agreements in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;
- that each of the representations, acknowledgements 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; and
- that the Company, the Joint Global Coordinators and Joint Bookrunners, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the Joint Global Coordinators and Joint Bookrunners on their own behalf and on behalf of the Company and are irrevocable.

Off-Shore Derivative Instruments (P-Notes)

Subject to compliance with all applicable Indian laws, rules, regulations and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, foreign institutional investors as defined in the SEBI Guidelines (referred to as "FIIs"), including FII affiliates of the Joint Global Coordinators and Joint Bookrunners, may issue, or otherwise deal in, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Equity Shares allocated in the Issue (all such off-shore derivative instruments referred to herein as "P-Notes"), for which they may receive compensation from the purchasers of such instruments. P-Notes may only be issued to entities which are regulated by appropriate foreign regulatory authorities, subject to compliance with "know your client" requirements. An FII shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning any P-Notes or the issuer(s) of any 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 obligations of, claim 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 any P-Notes. Any P-Notes that may be offered are issued by, and are solely the 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 any P-Notes. Any P-Notes that may be issued are not securities of the Joint Global Coordinators and Joint Bookrunners and do not constitute any obligations of, or claim on, the Joint Global Coordinators and Joint Bookrunners.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of 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, a copy of this 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 this Preliminary Placement Document;
2. warrant that the Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of this Company, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares 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.

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA, CURRENCY OF PRESENTATION AND EXCHANGE RATES

Certain Conventions

All references to “you” are to the prospective investors of the Equity Shares issued pursuant to this Issue. References in this Preliminary Placement Document to “India” are to the Republic of India and the “Government” or the “Central Government” or the “State Government” are to the Government of India, central or state, as applicable.

Financial Data

The Company and its Subsidiaries prepare their financial statements in accordance with Indian GAAP. Indian GAAP differs in certain respects from IFRS and U.S. GAAP. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP; however, we have provided in this Preliminary Placement Document a narrative summary of the principal differences among Indian GAAP, IFRS and U.S. GAAP relevant to our business. Also, see “Risk Factors — Certain Factors Relating to India — Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS. These differences may be material to investors’ assessments of the financial condition of the Company”.

In this Preliminary Placement Document, certain monetary thresholds have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless stated otherwise, the financial data in this Preliminary Placement Document is derived from our consolidated financial statements prepared in accordance with Indian GAAP. Our fiscal year commences on October 1 of each year and ends on September 30 of the succeeding year, so all references to a particular “fiscal year” or “Fiscal” are to the twelve-month period ended on September 30 of that year.

Market Data/Industry Data

Market data and certain industry forecasts used throughout this Preliminary Placement Document have been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Joint Global Coordinators and Joint Bookrunners make any representation as to the accuracy of that information.

Currency of Presentation

All references in this Preliminary Placement Document to “Rupees”, “Rs.”, “Indian Rupees” and “INR” are to Indian Rupees, the official currency of India. All references to “US\$”, “U.S. Dollar”, “US Dollars”, “USD” or “\$” are to United States Dollars, the official currency of the United States of America.

Exchange Rates

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the Reserve Bank of India. Unless otherwise indicated, certain amounts in Rupees were converted to U.S. dollars using the RBI reference exchange rate of Rs.50.95 = U.S.\$ 1.00 as at March 31, 2009. (*Source: Reference rate as released by the Reserve Bank of India*). No representation is made that the Rupee

amounts actually represent such amounts in U.S. dollars or could have been or could be converted into U.S. dollars at the rates indicated, any other rates or at all.

<u>Year ended December 31</u>	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
	Rs. Per US\$			
2004	43.58	45.33	46.46	43.39
2005	45.07	44.11	46.33	43.30
2006	44.23	45.33	46.95	44.07
2007	39.41	41.29	44.61	39.27
2008	48.45	43.42	50.52	39.27
Month				
Third Calendar Quarter 2008	46.94	43.75	46.94	41.89
Fourth Calendar Quarter 2008	48.45	48.76	50.52	46.88
First Calendar Quarter 2009	50.95	49.76	52.06	48.37
Second Calendar Quarter 2009 (through June 26, 2009)	48.51	48.69	50.53	46.84

Source: Reserve Bank of India

FORWARD LOOKING STATEMENTS

All statements contained in this Preliminary 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”, “estimate”, “expect”, “intend”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding our expected financial condition and results of operations, business plans, including potential acquisition and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability and other matters discussed in this Preliminary Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties 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, performance or achievements to differ materially include, among others:

- shortage of sugarcane;
- changes in the cost of sugarcane and the selling price of sugar;
- changes in the laws and regulations and other Government policy applicable to our industry;
- restrictive covenants in our financing agreements;
- our ability to manage our recent diversification;
- significant competition from other sugar manufacturers;
- adverse weather and natural disasters; and
- general economic and business conditions in India and other countries.

Additional factors that could cause actual results, performances or achievements to differ materially include, but are not limited to, those discussed under the sections “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry” and “Business”.

The forward-looking statements contained in this Preliminary 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 materialize, 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 written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Bajaj Hindusthan Limited is a company incorporated with limited liability under the laws of India. The Company's Directors and senior management are residents of India and the assets of the Company are substantially located in India. As a result, it may not be possible for investors to effect service of process upon the Company 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 and Section 44A of the Code of Civil Procedure, 1908, as amended ("Civil Code"). Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- 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 recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law then 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 Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by an appropriate court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of amounts payable in respect of taxes, other charges of a similar nature or of a fine or other penalties and does not include arbitration awards.

The United Kingdom, Singapore and Hong Kong have been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Code, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. The suit has to be filed 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 was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded was excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval of the Reserve Bank of India to repatriate outside India any amount recovered pursuant to the execution of such a judgment. In addition, any judgment denominated in a foreign currency would be converted into Indian rupees on the date of the judgment and not on the date of payment.

DEFINITIONS AND ABBREVIATIONS

Unless otherwise defined or the context otherwise indicates or requires, certain capitalized terms used in this Preliminary Placement Document have the meaning set forth below:

Company Related Terms

Term	Description
Bajaj Hindusthan Limited, BHL, the Issuer or the Company	Bajaj Hindusthan Limited, a public limited company incorporated under the laws of India and whose registered office is at Bajaj Bhawan, 2 nd Floor, Jammalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021, India.
BHSIL	Bajaj Hindusthan Sugar and Industries Limited, one of our Subsidiaries.
We, us or our	Bajaj Hindusthan Limited and its Subsidiaries, on a consolidated basis.
Articles or Articles of Association	Articles of Association of the Company, as amended.
Auditors	Dalal & Shah, Chartered Accountants, the statutory auditors of the Company.
Board of Directors or Board	The board of directors of the Company or a committee constituted thereof.
Corporate Office	The corporate office of the Company located at Bajaj Bhawan, B-10 Jammalal Bajaj Marg, Sector – 3, Noida 201 301, Uttar Pradesh, India.
Director(s)	Director(s) of the Company.
Equity Shares or Shares	The equity shares of the Company of face value Re. 1 each.
Memorandum or Memorandum of Association	The Memorandum of Association of the Company, as amended.
Promoters	The promoters of the Company, comprising: <ol style="list-style-type: none"> 1. Mr. Shishir Bajaj; 2. Mrs. Minakshi Bajaj; 3. Mr. Kushagra Bajaj; 4. Mr. Apoorva Bajaj; and 5. Bajaj Capital Ventures Private Limited.
Registered Office	The registered office of the Company located at Bajaj Bhawan, 2 nd Floor, Jammalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021, India.
Registrar of Companies or RoC	The Registrar of Companies, Mumbai, Maharashtra.
Shishir Bajaj Group	The family members and the companies listed in the section “Principal Shareholders – The Shishir Bajaj Group”.
Subsidiaries	The Subsidiaries of the Company, comprising: <ol style="list-style-type: none"> 1. Bajaj Hindusthan Sugar and Industries Limited; 2. Bajaj Eco-Tec Products Limited; 3. Bajaj Eco-Chem Products Private Limited; 4. Bajaj Internacional Participações Ltda.; 5. Bajaj Hindusthan (Singapore) Pte. Ltd; and 6. Bajaj Aviation Private Limited (a subsidiary of Bajaj Eco-Tec Products Limited).

Issue related Terms

Term	Description
Allocated or Allocation	The determination of QIBs for the purposes of issuing Confirmation of Allocation Notes, in consultation with the Joint Global Coordinators and Joint Bookrunners and in compliance with Chapter XIII-A of the SEBI Guidelines.

Term	Description
Allotment	The issue and allotment of Equity Shares pursuant to this Issue.
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	[●].
Bid cum Application Form	The form pursuant to which a QIB shall submit a Bid.
Bid Opening Date	[●].
BSE	The Bombay Stock Exchange Limited.
CAN or Confirmation of Allocation Note	The note or advice or intimation to QIBs of Allocation after determination of the Issue Price.
Closing Date	On or about [●], 2009, the date on which the Allotment is expected to be made.
CLSA	CLSA India Limited.
Companies Act	The Companies Act, 1956, as amended.
Cut-off Price	The Issue Price of the Equity Shares which shall be finalized by the Company, in consultation with the Joint Global Coordinators and Joint Bookrunners.
DEIPL	Deutsche Equities India Private Limited.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with the SEBI under applicable laws in India.
Floor Price	The floor price of Rs.203.83 per Equity Share, calculated in accordance with Clause 13A.3 of the SEBI Guidelines.
Issue	The offer and sale of the Equity Shares to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines.
Issue Price	A price per Equity Share of Rs.[●].
Issue Size	The issue of up to [●] Equity Shares aggregating Rs.[●] million.
Joint Global Coordinators and Joint Bookrunners	CLSA and DEIPL.
MOU	Memorandum of Understanding.
NSE	The National Stock Exchange of India Limited.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to QIBs, as applicable.
Payment Collection Agent	IDBI Bank Limited.
Preliminary Placement Document	This Preliminary Placement Document dated June 29, 2009 issued in accordance with Chapter XIII-A of the SEBI Guidelines.
QIBs or Qualified Institutional Buyers	A Qualified Institutional Buyer as defined under Clause 1.2.1 (xxiv a) of the SEBI Guidelines.
Regulation S	Regulation S, as defined under the Securities Act.
SEBI	The Securities and Exchange Board of India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.
SEBI Guidelines	The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended.
Securities Act	The U.S. Securities Act of 1933, as amended.
Special Cash Account	A special bank account opened by the Company with the Payment Collection Agent in terms of the arrangement between the Company and the Payment Collection Agent.
Stock Exchanges	The BSE and the NSE.

Industry related Terms

Term	Description
Air Act	The Air (Prevention and Control of Pollution) Act, 1981, as amended.

Term	Description
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
Crushing Season or Sugar Season	The period beginning the 1 st day of October in any year through the 15 th day of July in the succeeding year.
EIA Notification	The Environment Impact Assessment Notification SO. 1533(E), 2006.
Forest Act	The Forest (Conservation) Act, 1980, as amended.
Forest Rules	The Forest (Conservation) Rules, 2003, as amended.
Government's Revitalization Report	The Tuteja Committee Report on the Revitalization of the Sugar Industry in India submitted in December 2004.
Hazardous Wastes Rules	The Hazardous Wastes (Management and Handling) Rules, 1989, as amended.
IDRA	The Industries (Development and Regulation) Act, 1951, as amended.
IEM	Industrial Entrepreneur Memorandum.
Industrial Disputes Act	The Industrial Disputes Act, 1947, as amended.
Insecticides Act	The Insecticides Act, 1968, as amended.
Insecticides Rules	Insecticides Rules, 1971, as amended.
ISMA	Indian Sugar Mills Association.
KL	Kilo Litres.
KWH	Kilowatt Hour.
LSPEF	Levy Sugar Price Equalisation Fund.
LSPEF Act	The Levy Sugar Price Equalisation Fund Act, 1976, as amended.
MDF	Medium-Density Fibre.
MMT	Million metric tons.
MW	Megawatts.
PB	Particle Board.
PDS	Public Distribution System.
PPA	Power purchase agreements.
SAP	State Advised Price.
SDF	Sugar Development Fund.
SDF Act	Sugar Development Fund Act, 1982, as amended.
SIA	The Secretariat of Industrial Assistance.
SMP	Statutory Minimum Price.
Sugar Cess Act	Sugar Cess Act, 1982, as amended.
TCD	Metric tons of sugarcane crushed per day.
Uttar Pradesh State grid	Uttar Pradesh Power Corporation Limited.
Water Act	The Water (Prevention and Control of Pollution) Act, 1974, as amended.
Water Cess Act	The Water (Prevention and Control of Pollution) Cess Act, 1977, as amended.

General Terms/Abbreviations

Term	Description
Bonus Act	The Payment of Bonus Act, 1965, as amended.
CDSL	Central Depository Services Limited.
CENVAT	Central Value Added tax.
CESTAT	The Customs, Excise and Service Tax Appellate Tribunal.
Civil Code	The Code of Civil Procedure, 1908, as amended.
CLRA	The Contract Labor (Regulation and Abolition) Act, 1970, as amended.
Delisting Regulations	The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended.
Depositories Act	The Depositories Act, 1996, as amended.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended.

Term	Description
Depository Participant	A depository participant as defined under the Depositories Act.
Essential Commodities Act	The Essential Commodities Act, 1955, as amended.
EPA	The Environment (Protection) Act, 1986, as amended.
EPF Act	The Employees Provident Funds and Miscellaneous Provisions Act, 1952, as amended.
EPS	Earnings per Share.
ESI Act	The Employees State Insurance Act, 1948, as amended.
Factories Act	The Factories Act, 1948, as amended.
FDI	Foreign Direct Investment.
FEMA	The Foreign Exchange Management Act, 1999, as amended.
FIPB	Foreign Investment Promotion Board.
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with the SEBI under applicable laws in India.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product.
Gratuity Act	The Payment of Gratuity Act, 1972, as amended.
ICAI	Institute of Chartered Accountants of India.
IFC	International Finance Corporation.
IFRS	International Financial Reporting Standards.
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended.
IT Act or the Income Tax Act	The Income Tax Act, 1961, as amended.
MAT	Minimum alternative tax.
Minimum Wages Act	The Minimum Wages Act, 1948, as amended.
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended.
NRI	Non Resident Indian.
NSDL	The National Securities Depository Limited.
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under the FEMA. OCBs are not permitted to invest in this Issue.
PA	Per annum
PAN	Permanent Account Number.
Payment of Wages Act	The Payment of Wages Act, 1936, as amended.
PLR	Prime Lending Rate.
RBI	The Reserve Bank of India.
SCRA	The Securities Contracts (Regulation) Act 1956, as amended.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
SICA	Sick Industrial Companies (Special Provisions) Act, 1985, as amended.
STT	Securities transaction tax.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
Workmen's Compensation Act	The Workmen's Compensation Act, 1923, as amended.

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, the more detailed information appearing elsewhere in this Preliminary Placement Document, including under the sections “Risk Factors”, “Use of Proceeds”, “Placement”, “Issue Procedure” and “Description of the Shares”.

Issuer	Bajaj Hindusthan Limited.
Issue Price per Equity Share	Rs.[●].
Issue Size	The issue of up to [●] Equity Shares aggregating Rs.[●] million.
Equity Shares outstanding prior to the Issue	141,407,111 Equity Shares.
Equity Shares outstanding after the Issue	[●] Equity Shares.
Eligible Investors	QIBs as defined in Clause 1.2.1 (xxiv a) of the SEBI Guidelines.
Listing	The Company shall make applications to each of the Stock Exchanges to obtain in-principle approvals for the listing of the Equity Shares offered through this Preliminary Placement Document.
Transferability Restrictions	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 the floor of the Stock Exchanges.
Closing	The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about [●], 2009 (the “Closing Date”).
Ranking	The Equity Shares being issued in the Issue are subject to the provisions of the Company’s Memorandum and Articles of Association and shall rank <i>pari passu</i> 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	<p>The net proceeds of this Issue (after deduction of Issue expenses) are expected to be approximately Rs.[●] million.</p> <p>Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the Issue for repayment of loans, working capital and general corporate purposes. Please refer to the section “Use of Proceeds”.</p>
Lock-up	The Company has agreed not to issue equity or equity-linked securities for a period of 90 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 180 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

We are not in compliance with certain financial and other covenants in certain of our loan agreements. Such non-compliance could have a material adverse effect on our business, financial condition and results of operations. For a more detailed discussion of those and other risks in connection to an investment in the Equity Shares, please refer to the section “Risk Factors”.

Security codes:

ISIN INE306A01021

BSE Code 500032

NSE Code BAJAJHIND

SUMMARY OF BUSINESS

This summary highlights selected information from this Preliminary Placement Document and may not contain all of the information that you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and related notes, elsewhere in this Preliminary Placement Document. You should carefully consider, among other things, the matters discussed in "Risk Factors" for an understanding of the risks associated with the purchase of the Equity Shares.

Overview

We believe we are one of the largest sugar and industrial alcohol manufacturing companies in India in terms of installed capacity as of September 30, 2008. We process sugarcane, the raw material used in the production of sugar and industrial alcohol. We own and operate 14 sugar mills with an aggregate sugarcane crushing capacity of 136,000 TCD. We also have plans to merge, through a Scheme of Arrangement (which remains subject to various approvals), Phenil Sugars Private Limited ("PSPL"), which has two sugar mills with a combined crushing capacity of 12,000 TCD. In addition, six of our mills have distilleries which together have a combined capacity to produce 800 KL of industrial alcohol per day, including 60 KL capacity per day of a mill that we have leased to a third party. We also have co-generation facilities which have an aggregate installed capacity of approximately 428 MW. Of this installed capacity, we have approximately 105 MW of power in excess of the amount required to operate our business. We sell this surplus power to the Uttar Pradesh State grid. Our sugar mills, distilleries and co-generation facilities are located in the north Indian state of Uttar Pradesh.

We believe we are:

- one of the largest processors of sugarcane in India, having crushed 12.0 MMT of sugarcane during fiscal year 2008 and 6.7 MMT in the first six months of fiscal year 2009 with a yield, or sugar recovery, of 9.9% and 9.1% sugar from the crushed sugarcane, respectively;
- one of the largest producers and sellers of sugar in India, having sold approximately 1.1 MMT of sugar during fiscal year 2008 and 0.4 MMT in the first six months of fiscal year 2009; and
- one of the largest producers and sellers of industrial alcohol in India, having sold 150,129 KL and 26,879 KL of industrial alcohol during fiscal year 2008 and the first six months of fiscal year 2009, respectively.

We have integrated sugarcane processing operations which allow us to efficiently use molasses and bagasse, by-products of the sugar manufacturing process, to diversify our business. We use molasses to produce industrial alcohol (primarily ethanol) and bagasse to produce power. In addition, through our wholly-owned subsidiary, Bajaj Eco-Tec Products Limited, we have been using bagasse to manufacture environmentally-friendly particle boards and medium-density fibre boards for commercial sale since April 2008.

In fiscal year 2008, we had consolidated gross sales of Rs.22,176.8 million and a net loss of Rs.1,951.3 million compared to consolidated gross sales of Rs.19,137.0 million and a net loss of Rs.93.7 million in 2007. For the six months ended March 31, 2009, we had consolidated gross sales of Rs.10,068.2 million and a net loss of Rs.258.6 million compared to consolidated gross sales of Rs.9,817.7 million and net profit of Rs.457.4 million for the six months ended March 31, 2008.

Company History

We were incorporated on November 24, 1931 as The Hindusthan Sugar Mills Limited. Our first mill was located at Golagokarannath in the Lakhimpur Kheri district in the Terai region of Uttar Pradesh, India, an area rich in sugarcane. The mill started with a crushing capacity of 400 TCD. Subsequently, the crushing capacity was increased in stages to reach its present level of 13,000 TCD. We set up a distillery at

Golagokarannath in 1944 which today has the capacity to produce 100 KL of industrial alcohol per day. During the first few years, our distillery's major product was power alcohol used as an additive to gasoline, which was then in short supply.

In 1967 we set up a new company, Sharda Sugar & Industries Limited, as a subsidiary of The Hindusthan Sugar Mills Limited. In 1972, we set up a mill with a sugarcane crushing capacity of 1,400 TCD at Palia Kalan, a large sugarcane supply center approximately 70 kilometers from Golagokarannath. We located our mill in Palia Kalan primarily to take advantage of the abundant supply of sugarcane in the area and to be closer to the farmers' fields, thereby reducing our transportation costs. Subsequently, we increased our crushing capacity at Palia Kalan in stages to reach its present level of 11,000 TCD.

In 1988, The Hindusthan Sugar Mills Limited was renamed Bajaj Hindusthan Limited ("BHL") and Sharda Sugar & Industries Limited was merged with BHL in 1990.

In February 2004, we commenced operations at a new distillery at Palia Kalan with a capacity of 60 KL of industrial alcohol per day. In November 2004, we commenced operations at our sugar mill located at Kinauni with a crushing capacity of 7,000 TCD. The crushing capacity of this sugar mill was subsequently increased to 8,000 TCD in October 2005.

From 2005 to 2008, we continued to expand our sugar and industrial alcohol production capacities through a combination of setting up new sugar mills and distilleries, expanding the capacities at our existing ones and acquiring additional mills and distilleries from other companies.

Following the expansion of our sugar mills in recent years, our aggregate sugarcane crushing capacity is 136,000 TCD.

Complementing the expansion of our sugar mills, we also expanded our distilleries beginning in 2006. In 2006, we commenced operations at a distillery at our Kinauni mill with a capacity to produce 160 KL of industrial alcohol per day and subsequently commenced distillery operations at an additional three mills. This increased our total industrial alcohol production capacity to 800 KL per day, including 60 KL of capacity per day which is part of a distillery that we lease to a third party.

Beginning in 2006, we established additional co-generation facilities at eight of our sugar mills (Palia Kalan, Kinauni, Thanabhawan, Budhana, Bilai, Gangnauli, Khambharkhera and Barkhera) which have a combined capacity to export for sale approximately 90 MW of surplus power. In addition, when we acquired BHSIL, we also acquired additional co-generation facilities that have a combined generation capacity of approximately 15 MW of surplus power, bringing our installed capacity to approximately 428 MW. In 2007, we began selling excess power to the Uttar Pradesh State grid.

In April 2006, we established a wholly-owned subsidiary, Bajaj Eco-Tec Products Limited and set up three plants in Uttar Pradesh which manufacture environmentally-friendly particle boards and medium-density fibre boards from bagasse. In April 2008, commercial production at these three plants commenced.

In September 2008, we entered into a proposed Scheme of Arrangement (which remains subject to various approvals) to merge, through BHSIL, PSPL. PSPL is the holding company for two companies that each own one sugar mill, and together those mills have a combined crushing capacity of 12,000 TCD. Pursuant to the Scheme of Arrangement, certain equity shares of BHSIL would be issued to shareholders of PSPL in exchange for equity shares of PSPL. In addition, under the Scheme of Arrangement, BHSIL would assume loans we had previously extended to PSPL. Under this arrangement, we would not be required to make any additional cash payments for the amalgamation. The Scheme of Arrangement is currently pending before the Delhi High Court and is to be filed before the Bombay High Court.

Competitive Strengths

We believe that our primary competitive strengths include the following:

We are a leader in the sugar industry in India.

We believe we are one of the largest sugar manufacturers in India, with a sugarcane crushing capacity of 136,000 TCD. We have an operating history of over seven decades and have declared dividends in 74 out of the 77 years of our operation. All of our existing sugar mills have a crushing capacity of more than 5,000 TCD, which is generally considered to be the minimum size for sustainability according to the Tuteja committee report on the revitalization of the sugar industry commissioned by the Government (the “Government’s Revitalization Report”). In addition, our operations involve processes that have enabled us to achieve relatively high rates of sugar recovery from sugarcane.

Our operations are strategically located within the largest domestic market for sugar.

Our operations are located in India, the largest market for sugar in the world in terms of consumer demand for refined sugar. In particular, all of our manufacturing facilities are located in the north Indian state of Uttar Pradesh, which is one of the largest sugarcane growing areas in India. Given our location, we benefit from the following three advantages. First, our proximity to sugarcane is an important factor because expedient crushing of sugarcane within a very short time of harvest ensures a better recovery of sugar. Second, Uttar Pradesh is on the Gangetic River belt and the water table is higher than most other areas in India and is well irrigated. As a result, sugarcane growth is relatively less dependent upon the vagaries of monsoons compared to other parts of the country. Third, our northern-based location generally offers us better price realizations from sugar sales compared to southern-based mills because northern India has a higher population and higher demand for sugar.

We have strong relationships with sugarcane farmers.

We endeavour to make timely payments to sugarcane farmers and have built strong relationships and goodwill with them which is an important factor in our industry. Despite the cyclical nature of the sugar industry, we have strong ties with over 500,000 sugarcane growers. We believe that these relationships are a competitive advantage as farmers have no obligation to grow sugarcane and may from time to time switch to crops that may be more profitable. However, we believe that paying farmers on a timely basis provides an incentive for farmers to continue cultivating sugarcane.

Our sugar processing operations are efficient.

We have achieved relatively high recovery rates of sugar from sugarcane, which is the key profit driver for any sugar mill. We believe our cost of converting sugarcane into sugar is one of the lowest in the industry due to the large scale of our operations and continuous investments made in repairs, maintenance, modernization and information technology. Our information technology system, which is run through SAP’s Enterprise Reporting System, assists us in achieving higher operational efficiencies. We have an electronic database which helps us to plan and manage our procurement of sugarcane from farmers and to monitor various activities, including scheduling sugarcane deliveries from farmers, payment to sugarcane farmers and developmental activities in our reserved areas. Our reserved areas cover a total of over 7,000 villages with over 500,000 farmers supplying sugarcane.

We have adopted an integrated business model to balance the cyclical effects of the sugar business.

To mitigate the effects of downward price cycles in the Indian sugar industry which typically last three to four years, we have adopted a business model that integrates the sugar manufacturing process with the production of a diverse array of products. As a result, we are able to use our existing sugar production processes to increasingly manufacture products that may be more profitable than sugar, such as industrial alcohol, particularly ethanol. Our ethanol production is intended to coincide with an increase in ethanol demand as Government regulations in certain states require a fixed percentage of ethanol to be blended in

gasoline. In addition, we sell excess power that we generate from the bagasse produced by our sugar operations to the Uttar Pradesh State grid. In 2008, we also began commercial sales of particle boards and medium-density fibre boards that allow us to use the excess bagasse we produce from the sugar manufacturing process.

Our Strategy

The sugar industry in India is highly fragmented with manufacturers having limited pricing power. However, we believe that our large scale operations contribute to lower costs and economies of scale while our ongoing pursuit of a diverse product line based on an integrated business model, along with sound financial planning, provides us with the ability to perform optimally during all phases of the sugar business cycle. The following is our strategy to achieve steady cash flows and optimal results of operations:

We plan to capitalize on future upward pricing trends in the sugar cycle based on the large crushing capacity of our sugar mills.

Since 2004, we have expanded our sugarcane crushing capacity through a combination of greenfield mills, brownfield expansions and selective acquisitions. We believe our expanded crushing capacity has enabled us to become one of the largest sugar manufacturers with a sugarcane crushing capacity of 136,000 TCD. We have increased our geographical presence in Uttar Pradesh from three locations in 2004 to 14 locations and expanded our presence to access the markets in eastern India. As a result of this expansion, we believe that our ability to produce such a high volume of sugar puts us in an advantageous position to benefit from any upward price trend in the Indian sugar cycle.

In addition, to take advantage of reduced tariffs on sugar imports and to fully capitalize on an expected increase in sugar prices over the next few years, we plan to import raw sugar in the 2009-2010 crushing season. We have already entered into agreements with third parties for these future imports.

We have been diversifying our products and increasing the production of value-added products.

We are increasingly adding value to the by-products of our sugar manufacturing process to diversify our product line, realize higher revenue from our sugar processing operations and mitigate the effects of over reliance on sugar sales, particularly during downward price trends and seasonal variations in the Indian sugar industry. Our diversified product line consists of industrial alcohol, power, particle board and medium-density fibre board.

We have increasingly been converting one of our by-products, molasses, into industrial alcohol, primarily ethanol. Ethanol is a cleaner fuel than gasoline and is increasingly being blended with it. We expect to be well-positioned to take advantage of any increased demand for ethanol in India in the future. Accordingly, we have increased our industrial alcohol capacity from 160 KL per day in fiscal year 2004 to 800 KL per day in fiscal year 2008, which includes 60 KL of capacity per day at one of our distilleries that is leased to a third party.

In addition, bagasse, another by-product of our sugar manufacturing process, is used by us as a fuel to generate steam, which is in turn used to generate the electric power required to run our operations. We burn the bagasse obtained as a by-product from our sugar manufacturing process and convert it to power using co-generation facilities that we have at several of our mills. We generate more steam than is required for our own sugar manufacturing process and we sell the excess power generated to the Uttar Pradesh State grid. These co-generation facilities have the capacity to produce, in aggregate, approximately 428 MW of power.

Our most recent business product is based on the conversion of bagasse to particle board and medium-density fibre board. We began commercial operations for this business in April 2008 after we established three manufacturing plants with an aggregate capacity to produce 210,000 cubic meters of particle board and medium-density fibre board per annum. We expect to expand production of this environmentally-friendly alternative to wood-based products.

We have positioned our business to produce a high volume of industrial alcohol to meet India's anticipated growth in ethanol demand.

Over the last four years, we have expanded the capacity of our distilleries to process molasses, another by-product of our sugar manufacturing operations, and convert it into industrial alcohol, primarily ethanol. Ethanol is a cleaner fuel than gasoline. As a result of our expansion efforts, we believe we are the largest industrial alcohol manufacturer in India. Our distilleries currently have the capacity to produce 800 KL of industrial alcohol per day, which includes 60 KL of capacity per day at one of our distilleries that is leased to a third party. Industrial alcohol production offers better realisations than molasses. Therefore, it is advantageous for us to convert the large quantity of molasses we expect to generate into industrial alcohol rather than sell it directly. In addition, during downward price trends in the Indian sugar cycle, we are still able to sell industrial alcohol as these are less susceptible to the cyclical nature of the sugar industry. Furthermore, while India does not use ethanol on a large scale at present because ethanol blending programs are still in nascent stages, we believe that with our existing distilleries, we have the capacity to produce ethanol on a large scale in anticipation of an increase in demand following requirements by the Government that a fixed percentage of ethanol must be blended in gasoline.

We intend to reduce our debt to equity ratio through prudent financial management.

Our expansion strategy over the last several years has required us to increase our consolidated total debt to equity ratio which is 3.41:1 as of March 31, 2009. As a result, we are highly leveraged and intend to reduce this ratio through a combination of prudent management initiatives, including obtaining financing to repay certain of our debts through the proceeds from this Issue. In addition, we have no significant planned capital expenditures and we intend to use our internal cash generation from our operations to repay our debts and improve our debt to equity ratio.

SUMMARY REFORMATTED FINANCIAL INFORMATION

The following tables present selected financial and other data regarding our business and should be read together with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this Preliminary Placement Document. Our audited financial statements as of and for the years ended September 30, 2006, 2007 and 2008 and our unaudited financial statements as of and for the six-month periods ended March 31, 2008 and 2009 included herein have been examined by Dalal & Shah, Chartered Accountants, our independent statutory auditors, in accordance with Indian GAAP. The financial statements have been presented in Indian rupees and are presented on a consolidated basis.

Solely for the convenience of the reader, the selected data set out below are presented in a format different from our audited and unaudited financial statements. This reformatting generally involves changes in the description or classification of certain amounts from those shown in our audited and unaudited financial statements, which are summarized in the footnotes set forth below. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information prepared in accordance with Indian GAAP and U.S. GAAP or other accounting principles.

Indian GAAP differs in certain material respects from U.S. GAAP. For a summary of the significant differences among Indian GAAP, IFRS and U.S. GAAP as they relate to us, see “Summary of Certain Significant Differences among Indian GAAP, IFRS and U.S. GAAP”.

	For the year ended September 30,				For the six months ended March 31,		
	2006	2007	2008	2008 ⁽¹⁾	2008	2009	2009 ⁽¹⁾
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Income Statement Data							
Gross Sales/Income from operations ⁽²⁾	15,648.8	19,137.0	22,176.8	435.3	9,817.7	10,068.2	197.6
Less: Excise Duty	(820.4)	(1,332.3)	(1,475.3)	(29.0)	(695.4)	(476.8)	(9.4)
Other Operating Income ⁽³⁾	395.4	319.2	416.0	8.1	203.5	1,388.3	27.3
Other Income.....	2.7	4.7	85.2	1.7	—	—	—
Total Income	15,226.5	18,128.6	21,202.7	416.1	9,325.8	10,979.7	215.5
Expenditure:							
Raw materials consumed	9,517.5	13,440.9	15,956.1	313.2	13,721.7	10,340.9	203.0
Manpower cost ⁽⁴⁾	584.9	1,423.3	1,482.9	29.1	752.0	883.5	17.3
Other expenses ⁽⁵⁾	1,363.7	2,424.9	4,088.2	80.2	1,744.6	1,446.9	28.4
(Increase)/Decrease in Stock-in-Trade and Work-in-Progress ...	228.1	(1,391.8)	(2,262.9)	(44.4)	(9,220.8)	(4,914.1)	(96.4)
	11,694.2	15,897.3	19,264.3	378.1	6,997.5	7,757.2	152.3
Profit Before Depreciation,							
Interest, Extraordinary Items & Tax	3,532.3	2,231.3	1,938.4	38.0	2,328.3	3,222.5	63.2
Depreciation	759.4	1,610.9	2,798.7	54.9	1,174.1	1,770.1	34.7
Interest and Finance Charges (Net) ⁽⁶⁾	33.4	915.0	2,071.3	40.6	496.3	1,626.3	31.9
Profit/(loss) for the year before Extraordinary Items & Tax.....	2,739.5	(294.6)	(2,931.6)	(57.5)	657.9	(173.9)	(3.4)

	For the year ended September 30,				For the six months ended March 31,		
	2006	2007	2008	2008 ⁽¹⁾	2008	2009	2009 ⁽¹⁾
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Extraordinary Items.....	-	-	-	-	-	-	-
Profit/(loss) before Tax	2,739.5	(294.6)	(2,931.6)	(57.5)	657.9	(173.9)	(3.4)
Provision for Taxation:							
Current tax	312.7	42.0	1.3	0.0	105.5	34.1	0.7
Deferred tax	849.8	(216.8)	(1,004.2)	(19.7)	184.2	76.8	1.5
Wealth tax	0.8	1.8	3.0	0.1	1.1	1.5	0.0
Fringe benefit tax.....	9.7	12.9	19.6	0.4	13.8	6.3	0.1
Less: MAT credit entitlement	(275.8)	(40.8)	-	-	(104.1)	(34.0)	(0.7)
Profit/(Loss) for the year.....	1,842.3	(93.7)	(1,951.3)	(38.3)	457.4	(258.6)	(5.0)
Less Minority Interest.....	-	(114.5)	(172.8)	(3.4)	17.5	23.1	0.5
Pre-acquisition Profit/(Loss).....	-	-	(204.3)	(4.0)	(204.3)	-	-
Income attributed to consolidated group.....	1,842.3	20.8	(1,574.2)	(30.9)	644.2	(281.7)	(5.5)
Add:							
Balance brought forward.....	144.1	192.6	162.2	3.2	162.2	(1,540.8)	(30.2)
(Excess)/Short provision for tax ..	(6.0)	(53.6)	24.9	0.5	-	16.7	0.3
Dividends paid for FCCB conversion.....	10.5	-	-	-	-	-	-
Corporate dividend tax on dividend paid	1.5	-	-	-	-	-	-
Debenture redemption reserve no longer required.....	-	(50.0)	-	-	-	-	-
Transfers to:							
Reserve for molasses storage tank.....	3.6	5.6	4.7	0.1	3.1	0.5	0.1
General reserve	500.0	50.0	-	-	-	-	-
Debenture redemption reserve.....	1,187.5	-	-	-	-	-	-
Proposed dividend	84.8	84.8	84.8	1.6	-	-	-
Corporate dividend tax on proposed dividend.....	11.9	14.4	14.4	0.3	-	-	-
Balance carried to balance sheet..	192.6	162.2	(1,540.8)	(30.2)	803.3	(1,839.7)	(36.1)

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Balance Sheet Data							
Current Assets:							
Cash and Bank Balances	2,311.2	2,673.9	1,740.3	34.2	1,441.6	5,861.5	115.0

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Inventories.....	1,433.7	4,338.2	7,923.7	155.5	15,153.8	13,200.3	259.1
Sundry Debtors.....	663.4	1,136.8	543.0	10.6	818.8	841.5	16.5
Loans & Advances.....	4,438.4	12,399.9	15,714.2	308.4	16,472.0	16,634.2	326.5
Total Current Assets.....	8,846.7	20,548.8	25,921.2	508.7	33,886.2	36,537.5	717.1
Current Liabilities and Provisions.....	4,015.3	10,129.0	11,692.9	229.4	23,794.1	24,149.7	474.0
Net Current Assets.....	4,831.4	10,419.8	14,228.3	279.3	10,092.1	12,387.8	243.1
Investments.....	0.7	0.7	0.7	0.0	0.7	0.7	0.0
Fixed Assets ⁽⁷⁾							
Gross Block.....	13,791.0	29,217.8	47,452.2	931.4	40,683.4	52,174.1	1,024.1
Capital work in progress	14,721.0	16,298.7	1,587.4	31.2	8,304.3	1,500.1	29.4
Less: Accumulated Depreciation.....	3,054.9	4,670.8	7,191.2	141.2	5,914.4	8,935.9	175.4
Net Fixed Assets.....	25,457.1	40,845.7	41,848.4	821.4	43,073.3	44,738.3	878.1
Total Assets.....	30,289.2	51,266.2	56,077.4	1,100.7	53,166.1	57,126.8	1,121.2
Loan Funds:							
Secured Loans.....	4,753.2	26,788.3	36,636.8	719.1	30,436.6	35,690.6	700.5
Unsecured Loans.....	10,659.2	9,146.2	6,714.0	131.8	5,963.5	7,855.8	154.2
	15,412.4	35,934.5	43,350.8	850.9	36,400.1	43,546.4	854.7
Deferred Tax Liability (Net).....	1,262.0	1,045.1	39.3	0.8	1,229.3	116.1	2.3
Shareholders' Funds							
Share Capital.....	141.4	141.4	141.4	2.8	141.4	141.4	2.8
Stock options outstanding.....	—	223.2	161.8	3.2	170.5	161.8	3.2
Reserves and Surplus.....	13,473.4	13,695.7	11,711.1	229.8	14,333.7	12,465.0	244.6
Net Worth.....	13,614.8	14,060.3	12,014.3	235.8	14,645.6	12,768.2	250.6
Minority interest.....		226.3	673.0	13.2	891.1	696.1	13.6
Total Funds Employed.....	30,289.2	51,266.2	56,077.4	1,100.7	53,166.1	57,126.8	1,121.2

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
	(Rs.)			(US\$)	(Rs.)		(US\$)
	(audited)				(unaudited)		
Other Data							
Adjusted EBITDA ⁽⁸⁾ (millions)....	3,565.5	2,226.6	3,071.4	60.2	2,328.3	3,222.5	63.2
Adjusted EBITDA/Revenue and other Income recurring(%).....	23.4	12.3	14.5	14.5	25.0	29.3	29.3
Adjusted EBITDA/Gross Interest Expenses ⁽⁹⁾	7.2	1.7	1.2	1.2	3.0	1.7	1.7
Earning per Share Basic ⁽¹⁰⁾	13.8	0.5	(11.3)	(0.2)	4.6	(2.1)	(0.04)
Earning per Share Basic Diluted ⁽¹⁰⁾	13.8	0.5	(11.3)	(0.2)	4.6	(2.1)	(0.04)
Total Debt/Adjusted EBITDA.....	4.3	16.1	14.1	14.1	15.6	13.5	13.5

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
		(Rs.)		(US\$)	(Rs.)		(US\$)
		(audited)				(unaudited)	
Net Debt/Total Capital ⁽¹¹⁾	0.9	2.2	3.5	3.5	2.2	2.9	2.9
Dividend per share ⁽¹²⁾	Rs. 0.60	Rs. 0.60	Rs. 0.60	\$0.01	—	—	—

Notes to the Selected Consolidated Financial Statements:

- (1) Certain amounts in Rupees were converted to U.S. dollars using the RBI reference exchange rate of Rs.50.95 per U.S.\$1.00 as of March 31, 2009.
- (2) Gross sales includes sales of manufactured goods, by-products, power and export incentives.
- (3) Other Operating Income is comprised of surplus on sale of assets, lease and management fees, gains due to foreign exchange fluctuation, scrap/store sales, provisions no longer required/credit balances appropriated and miscellaneous receipts.
- (4) Manpower costs consist of salaries & wages, contributions to provident and other funds and schemes and employees' welfare expenses.
- (5) Other Expenses comprise, power and fuel, rent, repairs, selling commissions, director fees, losses on sales of assets, miscellaneous expenses, loss due to foreign exchange fluctuation and other expenses as per page F-14 of our audited consolidated financial statements for the years ended September 30, 2006, 2007 and 2008 and page F-35 of our unaudited reviewed consolidated financial statements for the six-month periods ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (6) Net Interest and Finance Charges is comprised of interest on debentures, term loans, working capital loans, fixed deposits, other interest and finance charges as reduced by interest transferred to capital account and interest received on loans and other accounts for the years ended September 30, 2006, 2007 and 2008 and as shown in Schedule 14 on page F-15 of our audited consolidated financial statements and in Schedule 14 on page F-36 of our unaudited reviewed consolidated financial statements for the six months ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (7) Fixed Assets, among other items, includes land, buildings, plant & machinery, vehicles, leased assets and intangible assets. Capital work in progress includes advances to suppliers/contractors, expenses incurred in relation to plant & machinery as well as other civil works in progress and preoperative expenses.
- (8) Adjusted EBITDA is Profit before Depreciation, Interest, Extraordinary Items and Tax as reduced by Other non-recurring Income of Rs.2.7 million, Rs.4.7 million and Rs.85.2 million for the years ended September 30, 2006, 2007 and 2008, respectively, and Rs.0.0 million and Rs.0.0 million for the six-month periods ended March 31, 2008 and 2009, respectively and further increased by non-recurring expenditure of Rs.35.9 million, Rs.0.0 million and Rs.1,218.2 million for the years ended September 30, 2006, 2007 and 2008, respectively. There were no non-recurring expenditures for the six-month periods ended March 31, 2008 and 2009, respectively.
- (9) Gross Interest Expenses consists of interest on debentures and Term Loans and other Interest charges paid as shown on Schedule 14 on page F-15 of our audited financial statements for the years ended September 30, 2006, 2007 and 2008, and page F-36 of our unaudited reviewed financial statements for the six-month periods ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (10) EPS is presented based on face value of Rs.1.00 per share. For EPS refer to page F-4 of our audited consolidated financial statements for the years ended September 30, 2006, 2007 and 2008 and page F-26 of our unaudited reviewed consolidated financial statements for the six-month periods ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (11) Net Debt has been computed by subtracting cash and bank balances from total debt. Total Capital is total funds employed including Deferred Tax Liability (net).
- (12) See "Dividend Policy".

RISK FACTORS

Investing in the Equity Shares offered in this Issue involves a high degree of risk. Before making an investment in our Equity Shares, you should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below and in the sections “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as the consolidated financial statements beginning on page F-1 of this Preliminary Placement Document. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the market price of our Equity Shares could decline significantly, and you may lose all or part of your investment.

Certain Factors Relating to Our Debt

We are not in compliance with certain financial and other covenants in a number of our loan agreements, which could result in the acceleration of the payment obligations on some or all of our outstanding indebtedness.

The agreements governing certain of our debt obligations include various financial covenants. As of the date of this Preliminary Placement Document, we are not in compliance with some of these financial covenants, and such non-compliance constitutes an event of default under each of these loan agreements. We have requested waivers from the relevant lenders for our non-compliance, but as of the date of this Preliminary Placement Document, none of these lenders have granted such waivers and there can be no assurance that any of these lenders will grant such waivers in the future. As a result, the lenders under each of these respective loan agreements may, at their discretion, accelerate payment and declare the entire outstanding amounts under their respective loan due and payable, and in certain instances, enforce their security which has been constituted over our various assets and take possession of those assets, such as our sugar mills, machinery and current assets, which would adversely affect our liquidity and materially and adversely affect our business and operations. In addition, to the extent that we cannot make payments on accelerated amounts, such non-payment could result in the cross-default and/or cross-acceleration of some or all of our other outstanding indebtedness, and payment of penalty interest, which would adversely affect our liquidity and materially and adversely affect our business and operations. As of March 31, 2009, the aggregate outstanding amount of our loans was approximately Rs.43,546.4 million. As of the date of this Preliminary Placement Document, none of our lenders have accelerated payment of any of our loans; however, such lenders may exercise these rights under our loan agreements at any time. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Loan Covenant Breaches” and notes 1 to 8 on page F-7 of our audited consolidated financial statements for the year ended September 30, 2008 and notes 1 to 8 on page F-29 of our unaudited consolidated financial statements for the six months ended March 31, 2009 in “Financial Statements”.

Moreover, with respect to agreements governing certain other of our debt obligations, we are not in compliance with covenants which require us to constitute securities over certain of our assets within a stipulated period of time. We have not complied with these covenants in the periods stipulated in the respective agreements, and the delay in constitution of these securities would allow our respective lenders to, at their discretion, accelerate payment and declare the entire outstanding amount under these agreements due and payable, which would adversely affect our liquidity and adversely affect our business and operations. In addition, to the extent that we cannot make payment on any accelerated amounts, such non-payment could result in the cross-default and/or cross-acceleration of some or all of our other outstanding indebtedness, and payment of penalty interest, which would likewise adversely affect our liquidity and materially and adversely affect our business and operations. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Loan Covenant Breaches” and notes 1 to 8 on page F-7 of our audited consolidated financial statements for the year ended September 30, 2008 and notes 1 to 8 on page F-29 of our unaudited consolidated financial statements for the six months ended March 31, 2009 in “Financial Statements”.

Our indebtedness, including various conditions and restrictions imposed on us by our financing agreements, could adversely affect our ability to react to changes in our business, and we may be limited in our ability to use debt to fund future capital needs.

As of March 31, 2009, our consolidated debt amounted to Rs.43,546.4 million. Our substantial indebtedness could:

- require us to dedicate a substantial portion of our cash flow from operations to payments in respect of our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate expenditures;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, competition and/or changes in our business or our industry;
- limit our ability to borrow additional funds;
- restrict us from making strategic acquisitions, introducing new products or services or exploiting business opportunities; and
- place us at a competitive disadvantage relative to competitors that have less debt or greater financial resources.

We cannot guarantee that we will be able to generate enough cash flow from operations or that we will be able to obtain enough capital to service our debt or fund our planned capital expenditures. In addition, we may need to refinance some or all of our indebtedness on or before maturity. We cannot guarantee that we will be able to refinance our indebtedness on commercially reasonable terms or at all. In addition, adverse changes in the business conditions affecting us could cause the amount of refinancing proceeds to be insufficient to meet our interest payments or fully repay any existing debt upon maturity and we may be unable to fund the payment of such shortfalls. If we cannot obtain alternative sources of financing or our costs of borrowings become significantly more expensive, then our financial condition and results of operations will be adversely affected.

Moreover, the agreements governing certain of our debt obligations include terms that, in addition to the financial covenants mentioned above, restrict our ability to make capital expenditures and investments, declare dividends, merge with other entities, incur further indebtedness and incur liens on, or dispose of, our assets, undertake new projects, change our management and board of directors, allow any director on our board of directors who has been identified as a wilful defaulter, materially amend or terminate any material contract or document and modify our capital structure. Pursuant to such agreements, certain of our lenders also have the right to appoint nominee directors on our Board. Any failure on our part to comply with these terms in our loan agreements would generally result in events of default under these loan agreements. In such a case, the lenders under each of these respective loan agreements may, at their discretion, accelerate payment and declare the entire outstanding amounts under these loans due and payable, and in certain instances, enforce their security which has been constituted over our various assets and take possession of those assets, which could adversely affect our liquidity and materially and adversely affect our business and operations. In addition, to the extent that we cannot make payments on accelerated amounts, such non-payment could result in the cross-default and/or cross-acceleration of some or all of our other outstanding indebtedness, and payment of penalty interest, which could likewise adversely affect our liquidity and materially and adversely affect our business and operations. See “—We are not in compliance with certain financial and other covenants in a number of our loan agreements, which could result in the acceleration of the payment obligations on some or all of our outstanding indebtedness”.

Certain Factors Relating to Our Business and Industry

Sugarcane is the principal raw material used for the production of sugar. Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our financial condition and results of operations. A variety of factors beyond our control may contribute to a shortage of sugarcane in any given harvest period. Some of the main factors that could contribute to a shortage of sugarcane are set forth below.

Farmers are not required to grow sugarcane and may cultivate other crops.

We do not own any land for the cultivation of sugarcane and we purchase all of our sugarcane directly from sugarcane growers' societies and over 500,000 independent farmers. Under Indian law, we are bound to purchase all sugarcane grown within our reserved area. A reserved area will differ for each sugar mill but is subject to a minimum distance of 15 kilometers between any two sugar mills pursuant to Indian law. See "Industry — Sugar Procurement and Prices" and "Regulations and Policies". However, the farmers within our reserved areas have no legal or contractual obligation to cultivate sugarcane and may instead grow other crops. For example, the increase in the number of farmers who cultivated other crops such as wheat and paddy in fiscal year 2008 as a result of an increase in prices for wheat and paddy was one of the reasons for the decrease in India's overall sugar production for that year. Several factors may prompt farmers to grow crops other than sugarcane in our reserved area, including their ability to cultivate more profitable crops and concerns in relation to late payments from sugarcane companies to farmers in general. If more farmers within our reserved areas cultivate other crops, or otherwise limit their cultivation of sugarcane, we may have a shortage of raw material. Any reduction in the supply of sugarcane may adversely affect our financial condition and results of operations.

Sugarcane grown within our reserved areas may be sold to manufacturers of jaggery and khandsari instead of us.

Some of the total sugarcane grown in our reserved areas is diverted to manufacturers of sugarcane-based sweeteners known as jaggery and khandsari, which are forms of crude sugar. In the off-season, we work with the farmers to determine the schedule for when they will clear their fields and supply us with sugarcane. However, if the farmers are able to realize a higher price for sales of their sugarcane to jaggery and khandsari manufacturers or want to harvest their crop earlier to realize sales of sugarcane sooner than we have scheduled and grow other crops, the farmers may have an incentive to sell the sugarcane to parties other than us. Diversion of sugarcane within our reserved areas to the production of jaggery and khandsari reduces the sugarcane available to us and may adversely affect our financial condition and results of operation.

Adverse weather conditions, crop disease and certain sugarcane crop varieties grown by farmers may adversely affect sugarcane crop yields and sugar recovery rates for any given harvest.

Our sugar production depends on the volume and sucrose content of the sugarcane that is supplied to us. Crop yields and sucrose content depend primarily on the variety of sugarcane grown, the presence of any crop disease and weather conditions such as adequate rainfall and temperature, which vary. Adverse weather conditions have caused crop failures and reduced harvests and resulted in volatility in the sugar and industrial alcohol industries and consequently in our operating results. Flood, drought or frost can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. For example, in 2008, severe flooding in certain regions of Uttar Pradesh resulted in a decrease in overall sugarcane crop yield which resulted in a decrease in our overall sugar production. There can be no assurance that future weather patterns, potential crop disease or the cultivation of certain sugarcane crop varieties will not reduce the amount of sugarcane or sugar that we can recover in any given harvest. Any reduction in the amount of sugar recovered could have a material adverse effect on our results of operations.

Our business may be materially and adversely affected by the outcome of litigation.

We are involved in litigation regarding the delicensing of sugar mills pending in the Supreme Court of India that may require us to obtain a license to operate our sugar mills.

On August 24, 2005 the Allahabad High Court passed an order quashing the Government's Press Note No. 12 dated August 31, 1998 that provided for the delicensing of the sugar industry. We challenged the ruling in the Supreme Court of India, which subsequently by an order dated September 19, 2005 stayed the operation of the order of the Allahabad High Court until further notice. As of the date of this Preliminary Placement Document, such stay order is still in force and the proceedings at the Supreme Court of India are pending. In the event the Supreme Court of India passes an order upholding the order of the Allahabad High Court, we may be required to seek licenses for our existing sugar mills and any increase in crushing capacity under the Industries (Development and Regulation) Act, 1951 ("IDRA"). The impact that the licensing process may have on us is uncertain. Obtaining a license may cause delays in manufacturing and supply and may affect our operations and profitability. Further, because companies in industries regulated by the IDRA are required to obtain Government approval for raising capital from overseas investors, we may need Government approval for ratifying our existing investments by overseas investors, including investments made pursuant to this Issue, and for future fund raising from foreign investors. It is uncertain whether such approval will be granted or whether there will be any conditions or penalties imposed on us which may apply retroactively. If the Supreme Court of India upholds the Allahabad High Court's ruling, it could have a material adverse effect on our financial condition, results of operations and prospects. For more information, see "Legal Proceedings".

We are involved in litigation regarding the price we paid for sugarcane in previous years and we may be required to pay higher prices for past procurement of sugarcane.

We had challenged the State Advised Price that was previously fixed by the State of Uttar Pradesh and we won cases at the Allahabad High Court which had the effect of reducing our raw material procurement prices for sugarcane in fiscal years 2006-07 and 2007-08. However, the decisions in these cases were appealed by the State Government of Uttar Pradesh before the Supreme Court of India and these appeals are currently pending. If the appeals are successful, we would be liable to pay higher rates for procurement of the raw materials we acquired during those years. Such payments may be significant and could have a material and adverse affect on our financial condition and results of operations. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Contingent Liabilities" and "Legal Proceedings".

There are certain criminal proceedings pending against the officers of the Company and BHSIL.

As of the date of this Preliminary Placement Document, 15 criminal cases are pending against certain officers of the Company and BHSIL. These cases have been initiated under various provisions of the Indian Penal Code, 1860 and other legislation. In the event that any of these pending criminal cases are decided against our officers, such officers may face penal and criminal consequences, which could include fines, imprisonment or both and may adversely affect our ability to conduct our business and our reputation. For further details, see "Legal Proceedings".

We may be adversely affected by legal proceedings to which we are, or may become, a party.

In the ordinary course of business, we may become involved in various claims, lawsuits and governmental and administrative proceedings, some of which may be significant. Adverse judgments or determinations in one or more of these potential proceedings could have a material adverse effect on our business, financial condition and results of operations. For more information on certain material legal proceedings, see "Legal Proceedings".

Our profitability depends significantly on the cost of our primary raw material, sugarcane, and the selling price of sugar. We are not able to set the cost of sugarcane nor the selling price for our sugar. Some of the main reasons that contribute to fluctuations in the margin between our raw material cost

and the selling price of our sugar are set forth below.

The price we pay for sugarcane is determined by the government of the State of Uttar Pradesh where our mills are located and we may be adversely affected by rising sugarcane prices, particularly in the event of a decrease in the price of sugar.

We purchase all of the sugarcane that we use in our production of sugar directly from the independent sugarcane growers and sugarcane growers' societies located in our reserved areas. The State government of Uttar Pradesh annually declares the sugarcane procurement price where our mills are located which is known as the State Advised Price ("SAP"). The SAP is a minimum price we must pay to sugarcane growers for sugarcane. The determination of the SAP is not related to the market price of sugar or the quality of sugarcane. For example, political motives may result in the declaration of higher SAPs. Rising SAPs, particularly if sugar prices remain stable or decrease during the same period, may adversely affect our results of operations and financial condition.

Government control or regulations over the sale of sugar may restrict our ability to do business in our existing and target markets.

Government regulations require us to sell 10% of the sugar we produce, known as "levy sugar", to Government agencies at a pre-determined price known as the levy price. Our ability to sell the remaining 90% of the sugar we produce, known as "free sale sugar", is restricted by monthly quotas set by the Government for each sugar mill on the amount of sugar that may be sold. Such Government controls relating to the price and quantity of the sugar we sell may restrict our ability to do business in our existing and target markets, which may have an adverse effect on our financial condition and results of operations.

We operate in an industry where the market price for our products is cyclical and affected by general economic conditions. The prices we are able to obtain for the sugar that we produce depend largely on prevailing market prices in India.

The sugar industry has historically been cyclical and sensitive to changes in supply and demand. The market in India has experienced periods of limited supply, causing sugar prices and industry profit margins to increase, followed by periods of excess production that result in oversupply, causing declines in sugar prices and industry profit margins. For additional details, see "Industry". Fluctuations in demand and supply and as a result, the price of our products, occur for various reasons, including:

- changes in the availability and price of our primary raw material, sugarcane;
- variances in the production capacities of our competitors; and
- the availability of substitutes for the sugar products that we produce.

Sugar production in India is currently at low levels while consumer demand continues to rise because of population growth, rising income levels, and a shift away from traditional sweeteners such as gur and khandsari to sugar. Stronger demand may result in higher prices for sugar. Profitable sugar manufacturers may make prompt payments to farmers who may in turn switch to cultivating sugarcane rather than other crops which have become relatively less profitable. An increase in sugarcane cultivation may lead to an increase in sugar production and a subsequent reduction in sugar prices, which may materially and adversely affect our results of operation and our financial condition.

The prices we are able to obtain for the sugar that we produce depend largely on prevailing market prices. These market conditions, both domestically and internationally, are beyond our control.

The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. In addition, a material amount

of total worldwide sugar production is traded on commodity exchanges and is thus subject to speculation, which could affect the price of sugar worldwide and our results of operations. Any prolonged decrease in sugar prices could have a material adverse effect on us and our results of operations.

We have recently expanded our industrial alcohol business and broadened our product base to include power, particle boards and medium-density fibre boards. Our recent expansion and diversification exposes us to a number of risks, some of which are set forth below.

We may not be able to successfully manage our growth and diversification.

The implementation of our growth strategy from 2005 to 2008 involved substantial investments into the expansion of the capacities of our existing sugar mills and industrial alcohol distilleries, as well as the establishment of new sugar mills, industrial alcohol distilleries, power co-generation facilities and factories for the manufacture of particle boards and medium-density fibre boards. Our success in managing our growth and diversification and maximizing the return from our recent investments will depend on, among other factors, our ability to successfully manage our financing obligations in relation to these investments, control costs and maintain sufficient operational and financial controls. Furthermore, the expansion and diversification of our business requires significant management attention that would otherwise be available for our core sugar business. Any failure by us to adequately manage our expansion, exercise controls over our different businesses or allocate our managerial resources could have a material adverse effect on our overall business, financial condition and results of operations.

We have significantly expanded our sales of industrial alcohol to third parties by increasing the capacities of our existing distilleries and establishing new distilleries. This expansion exposes us to certain material risks, some of which are distinct from those relating to our sugar mill operations.

We produce industrial alcohol at the distilleries located at some of our sugar mills. Our industrial alcohol production is dependent on molasses as the principal raw material. The availability of molasses is dependent on the amount of sugarcane that we crush each year. Any constraint in the availability of sugarcane or a decrease in the amount of sugarcane that we crush will result in lower quantities of molasses, which would have an adverse effect on our industrial alcohol production and operations. Furthermore, operating distilleries involves many significant hazards that could result in fires, explosions, spills, discharge, leaks, release of hazardous materials, and other unexpected or dangerous conditions, accidents and environmental risks.

We sell surplus power through our co-generation facilities, which exposes us to certain material risks, some of which are distinct from those relating to our sugar mill operations.

We operate the power generation facilities that run our existing sugar mills and we have been selling surplus power from our co-generation facilities since 2007. Our relative lack of experience with respect to the power business could have a material adverse effect on the financial performance of our co-generation facilities. In addition, our co-generation process is based on bagasse as fuel. The availability of bagasse is dependent on the amount of sugarcane that is crushed each year, as well as the bagasse requirements of our particle board and medium-density fibre board operations. Any constraint in the availability of sugarcane, a lower volume of sugarcane crushed or an increase in our particle board or medium-density fibre board production will result in lower quantities of bagasse available for power generation, which could have an adverse effect on our co-generation operations. Further, the generation of electricity involves many significant hazards that could result in fires, explosions, spills, discharge, leaks, release of hazardous materials, and other unexpected or dangerous conditions, accidents and environmental risks. Co-generation facilities are also subject to mechanical failure and equipment shutdown. Any significant decrease in the amount of sugarcane that we crush, any significant increase in our particle board or medium-density fibre board production or the occurrence of any major hazards or accidents mentioned above may adversely affect our income from the business.

We have begun to produce particle boards and medium-density fibre boards, which exposes us to certain material risks, some of which are distinct from those relating to our sugar mill operations.

We have recently established three manufacturing plants for particle boards and medium-density fibre boards through one of our wholly-owned subsidiaries. These products are made from bagasse. The availability of bagasse is dependent on the amount of sugarcane that is crushed each year. The bagasse supply available for particle board and medium-density fibre board is also affected by the bagasse requirements of our power co-generation facilities. Constraints in the availability of sugarcane, a lower volume of sugarcane crushed or an increase in the bagasse requirements of our power co-generation facilities will result in lower quantities of available bagasse. Any reduction in the availability of sugarcane, a corresponding decrease in the volume of sugarcane we crush or any increase in the bagasse requirements of our power business could have an adverse effect on our income from the particle board and medium-density fibre board business.

We are subject to regulatory risks.

We are subject to environmental regulations and may be exposed to liability as a result of our handling of hazardous materials and potential costs for environmental compliance.

We are subject to Indian laws and regulations concerning the discharge of effluent water and solid particulate matter during our manufacturing processes. We are required to obtain certain clearances and authorizations from government authorities for the collection, treatment, storage and disposal of hazardous waste. For details of applicable regulations, see “Regulations and Policies”. The Government may take steps towards the adoption of more stringent environmental regulations and we cannot assure you that we will be at all times in full compliance with these regulatory requirements. These regulations can often require us to purchase and install expensive pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment and any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits and/or shutdown of our facilities. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, we may need to incur substantial capital expenditures to comply with such new regulations. We cannot assure you that our costs of complying with current and future environmental laws and our liabilities arising from the release of hazardous substances will not adversely affect our business, results of operations or financial condition.

We operate in a highly regulated environment and Central and State government policies and regulations affecting the agricultural sector and related industries could adversely affect our operations and our profitability.

Several aspects of our operations, including the sourcing and pricing of raw material and the sale of our products are regulated by the Central and State Governments. Agricultural production and trade flows are significantly affected by Government policies and regulations. Government policies affecting the agricultural industry, such as environmental regulations, taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products, can influence industry profitability, the planting of certain crops as opposed to other crops, the location and size of crop production, whether unprocessed or processed commodity products are traded, and the volume and types of imports and exports. Future government policies in India and elsewhere may adversely affect the supply and demand for and prices of our products and restrict our ability to do business in our existing and target markets and could adversely affect our results of operations. For details of Central Government policies applicable to us, see “Regulations and Policies” and “Industry”.

We have outstanding claims due from the Government based on certain policy incentives from which we expected to benefit and which remain outstanding; if we are not able to benefit from such incentives, our expected financial condition and results of operations could be adversely affected.

The State Government of Uttar Pradesh, with a view to promote horizontal and vertical growth of the sugar industry, announced The Uttar Pradesh Sugar Industry Promotion Policy, 2004 based on providing certain fiscal incentives to sugar manufacturing units set up in the State. The policy was originally announced to be effective until March 31, 2007 and was extended until March 31, 2008. However, the policy was withdrawn by the State Government on June 4, 2007 with immediate effect and became no longer available for projects commenced thereafter. We had already invested significant funds to complete the expansion of several of our sugar mills and distilleries prior to the policy withdrawal date. Accordingly, upon completion of our investments, we were granted eligibility certificates by the State Government and we proceeded to claim and were granted some of these policy benefits and reimbursements. For certain of our claims which remained pending, in December 2007 we petitioned the Lucknow Bench of the Allahabad High Court for the granting of such benefits and reimbursements pending with the State Government. The High Court directed the State Government to grant our petition, but we have still not received these benefits and reimbursements. Although we continue to claim other benefits such as exemptions on entry tax, purchase tax and administrative charges, among others, there can be no assurance that our other claims which have not been settled by the State Government will be realized in the near future or at all. If we are not able to claim benefits from the incentives upon which we relied in expanding our business, our financial condition and results of operations could be adversely affected.

We may face significant competition in our business from international sugar manufacturers as a result of the lifting of barriers to the import of sugar, which may adversely affect our profitability.

Historically, we have not had substantial competition from imported sugar in India. Imports of sugar into India have been low in the past primarily due to tariff and non-tariff barriers such as transportation costs, lack of suitable storage facilities at ports and quota limits. However, Government policies have changed, and in 2005, the Government reduced the tariff on raw sugar imported for the purposes of refinement to 0%. As a result, several domestic sugar manufacturers along the coastal areas of India have commenced refining operations using imported raw sugar. Refined sugar is typically more expensive than the sugar which we produce. However, the tariff reduction on sugar imported for refinement purposes may result in increased refined sugar supplies in the domestic market at lower prices. As a result, our sugar business may face competition from refined sugar which may adversely affect our results of operations and profitability.

In addition, the Government's lowering of tariffs and any introduction of additional incentives in relation to the import of sugar into India may result in increased competition in the domestic sugar market from foreign sugar producers. This increased competition from imported sugar could cause a reduction in domestic sugar prices. Any increased competition or reduction in domestic sugar prices may have an adverse effect on our financial condition and results of operation.

Our ethanol business is highly dependent on Government policy.

Ethanol demand and price largely depend on Government policy towards cleaner fuels. The Government has mandated Indian oil companies in certain states to blend 5% ethanol in gasoline. However, Government policy may change. If Government regulations mandate oil companies to blend less ethanol in gasoline, the demand for ethanol may decrease which may adversely affect our ethanol operations and may have an adverse impact on our results of operations and our profitability.

We are subject to other commercial and operational risks.

We face significant competition in our business from Indian sugar manufacturers, which may adversely affect our profitability.

The sugar industry is highly competitive. Domestically, we compete with numerous small to medium size producers. Despite increased consolidation, the Indian sugar industry remains highly fragmented. Our

major competitors in India are sugar mills based in the north Indian State of Uttar Pradesh and nearby States. Our competition in this industry revolves around securing limited sources of raw material, which is sugarcane. Our competitors are also expanding their capacities and their requirement for sugarcane is likely to increase in the future. As a result, it may become difficult for us to procure enough sugarcane to sustain our profitability.

We are dependent on a single customer, the Uttar Pradesh State grid, to whom we sell all of the surplus power we produce.

We have entered into power purchase agreements (“PPAs”) with the Uttar Pradesh State grid through its distribution companies in relation to the excess power produced by some of our co-generation plants. The Uttar Pradesh State grid is in effect the sole customer for the majority of our excess power, and there can be no assurance that the Uttar Pradesh State grid will be able to continue meeting its payment obligations under the PPAs in the future. If the Uttar Pradesh State grid fails to pay or experiences any difficulty paying us for the power we supply, we will not have any customers for a significant portion of our excess power, which could have an adverse effect on our financial condition and results of operations.

In addition, the power rates payable to us set out in the PPAs are intended to cover our production cost incurred in the generation of electricity; however, the power rates in our PPAs do not take into account certain production costs we may incur or certain increases in our manufacturing expenses. If we incur any significant increase in production costs or manufacturing expenses, and there is no corresponding adjustment in the power rates payable to us under the PPAs, we will achieve a lower rate of return under the PPAs and, our profits may be adversely affected.

We depend on the services of our senior management and other key personnel, and if we are unable to retain our senior personnel or recruit suitable replacements, this could have a negative impact on our business, financial condition and results of operations.

We are currently managed by a relatively small number of senior management and key personnel, many of whom have many years of experience with us and in the sugar industry and who would be difficult to replace. Our senior managers have extensive knowledge of our business, industry and operations. Any loss or interruption of the services of our senior management or other key personnel, or our inability to recruit sufficient qualified personnel, could adversely affect our business, financial condition and results of operations. In addition, certain aspects of our production processes depend upon highly skilled employees. We devote considerable resources to recruiting and training such individuals and encouraging such individuals to remain employed by us. While we believe that we have been successful in securing the loyalty of our key employees, it is possible that in the future we may experience personnel changes and may have difficulty in retaining sufficient numbers of skilled employees. For details of the key managerial personnel, see “Board of Directors and Management”.

Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities.

We own (either directly or through our subsidiary BHSIL) and operate fourteen sugar production facilities at the following locations: Barkhera, Bilai, Budhana, Thanabhawan, Kinauni, Golagokarannath, Palia Kalan, Khambarkhera, Maqsudpur, Gangnauli, Pratappur, Kundarkhi, Utraula, and Rudauli. All of these facilities are subject to operational risks, including:

- equipment failure;
- failure to comply with applicable regulations and standards;
- obtaining and maintaining necessary licenses;
- raw material and/or energy supply disruptions;

- labour force shortages or work stoppages; and
- natural disasters.

While our facilities are insured against standard risks such as fire, there can be no assurance that the proceeds available from our insurance policies would be sufficient to protect us from possible loss or damage. In addition, we do not currently have business interruption insurance. As a result, a significant disruption in operations at any of these production facilities resulting from the events above or other events may adversely affect our business, financial condition and results of operations.

Accidents at our facilities could lead to property damage, production loss or accident claims.

Any accident in any of our facilities could result in claims being brought against us for damages. As a result, we could suffer reduced production, receive adverse publicity and experience diversion of management attention and resources to defend any such claims. Such event, if material, could have an adverse effect on our business, financial condition and results of operations.

We may face potential adverse effects on our results of operations from competition by alternative sweeteners.

We believe that the use of alternative sweeteners, especially artificial sweeteners such as saccharine and high fructose corn syrup, has reduced the demand for sugar in the rest of the world. Soft drink bottlers and confectioners in many countries have switched from sugar to, or increased consumption of, alternative sweeteners. In addition, the use of alternative sweeteners by sugar consumers, including soft drink bottlers and confectioners, may also reduce the demand for sugar. A substantial decrease in sugar consumption, or the increased use of alternative or artificial sweeteners in India, could have a material adverse effect on our results of operations and financial condition.

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

As at March 31, 2009, we had foreign currency exposures (constituted by borrowings and other financing arrangements) of approximately US\$362.8 million. Substantially all of our revenues are denominated in Indian rupees. Depreciation of the Indian rupee against the U.S. dollar may increase the Indian rupee cost to us of servicing and repaying our foreign currency borrowings and other financing arrangements, and any such increase may have an adverse effect on our financial condition and results of operation.

Certain Factors Relating to Our Stockholders

We may face conflicts of interest in transactions with related parties.

Certain decisions concerning our operations or financial structure may present conflicts of interest among our controlling shareholder, other shareholders, directors, executive officers and the holders of the Equity Shares. We maintain trade accounts receivable and short and long-term payables with some of our affiliates. These accounts receivable and accounts payable balances are due mainly to purchases and sales of goods at prices and on terms equivalent to the average terms and prices of similar transactions that we enter into with third parties. Commercial transactions between us and these affiliates could result in conflicting interests. See “Board of Directors and Management — Related Party Transactions” and “Financial Statements”. Our shareholders, directors, and executive officers may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment, even though such transactions may involve risks to the holders of the Equity Shares. We cannot assure you that our directors and executive officers will be able to address these or other conflicts of interests in an impartial manner.

Certain Factors Relating to India

We are incorporated in India and substantially all of our assets are located in India. We derive virtually all of our revenues from India. All of our sugar production facilities and other assets are located in India and all of our officers and directors are resident in India. Consequently, our performance and the market price and liquidity of the Equity Shares may be affected by certain risks relating to India, including the following:

If regional hostilities, terrorist attacks or social unrest in India and South Asia increase, our business could be adversely affected and the trading price of the Equity Shares could decrease.

Terrorist attacks and other acts of violence or war including those involving India, the United States or other countries, may adversely affect the Indian and worldwide financial markets. On November 26, 2008, terrorists staged a coordinated attack on several prominent international hotels and various other locations in the financial center of Mumbai. The attacks left more than 150 civilians dead, including several foreign nationals. Many businesses and Government services in the area were shut down for several days. Further terrorist acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, prospects, financial condition and results of operations. Increased volatility in the financial markets, including economic recession, can have an adverse impact on the economies of India and other countries.

In addition, South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Present relations between India and Pakistan continue to be fragile because of issues such as terrorism, armament and other political and social matters. Increased tensions and hostilities and may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq and Afghanistan. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political and social tensions could create a perception that investments in Indian companies involve greater degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy, our business, its future financial performance and the trading price of the Equity Shares.

Further, India has also experienced social unrest, communal disturbances and riots in some parts of the country during recent times. If such tensions occur, it could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

Political instability and significant changes in Government policy could adversely affect economic conditions in India generally and our business in particular.

Changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India may have an adverse effect on our results of operations.

India has a mixed economy with a large public sector and an extensively regulated private sector. The role of the Central and the State Governments in the Indian economy and the effect on producers, consumers, service providers and regulators has remained significant over the years. The governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Nevertheless, the role of the Indian Central and State governments in the Indian economy as producers, consumers and regulators has remained significant. The current coalition-led Government has come into power in May 2009. There can be no assurance that its past liberalization policies or any political stability will continue in the future. Elimination or substantial change of such policies or the

introduction of policies that negatively affect the sugar industry could have a material adverse effect on us. Any significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our business in particular.

Our business and activities will be regulated by the Competition Act, 2002.

The Indian Parliament has enacted the Competition Act, 2002 (the "Act") for the purpose of preventing business practices having an adverse effect on competition under the auspices of the Competition Commission of India, which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Act, any arrangement, understanding or action, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the Act and the Competition Commission of India will affect industries in India; any application of the Act to us may be unfavorable and have a material effect on our business and results of operation.

A slowdown in economic growth in India or an increase in oil prices could cause our business to suffer.

Our performance and growth is necessarily dependent on the health of the overall Indian economy. The Indian economy has shown sustained growth over the last several years with real GDP growing at 9.0% in 2008, 9.6% in 2007 and 9.4% in 2006. However, the growth in industrial production in India has been variable. Any slowdown in the Indian economy or future volatility of global commodity prices, could adversely affect our business. In addition, increases in the prices of oil and petroleum products could result in increased inflation thereby curtailing the purchasing power of our customers.

Investors in our Equity Shares may not be able to enforce a judgment of a foreign court against us, our directors or executive officers.

All of our directors and executive officers and some of the experts named herein are residents of India and all of our assets and the assets of our directors and executive persons are located in India. As a result, it may not be possible for investors to:

- effect service of process upon us, our directors and our executive officers in countries outside India, including the United States, upon us or other persons or entities India, or
- enforce, in Indian courts, judgments obtained in foreign courts, against us or such persons or entities.

For more information on the enforcement of civil liabilities in India, see "Enforcement of Civil Liabilities".

There may be less company information available in Indian securities markets than in securities markets in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets, as well as the activities of investors, brokers and other participants, and that of markets in the United States and other more developed economies. The Securities and Exchange Board of India ("SEBI") is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result you may have access to less information about our business, results of operations and financial condition, and those of our competitors that are listed on the BSE, NSE and other stock exchanges in India on an ongoing basis than you may have in the case of companies that are subject to reporting requirements of certain other countries.

The market value of your investment may fluctuate due to the volatility of the Indian securities markets.

Indian securities markets are more volatile than and not comparable to the securities markets in certain countries with more developed economies and capital markets than India. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Any volatility in the Indian securities markets could have an adverse effect on the price of the Equity Shares.

Significant differences exist between Indian GAAP and other accounting principles such as U.S. GAAP and IFRS. These differences may be material to investors' assessments of the financial condition of the Company.

The financial statements included in this Preliminary Placement Document are prepared and presented in conformity with Indian GAAP, and no attempt has been made to reconcile any of the information given in this Preliminary Placement Document to any other principles or to base it on any other standards. Indian GAAP differ from accounting principles and standards with which prospective investors may be familiar in other countries such as IFRS or U.S. GAAP. Although a summary of such difference as they apply to us has been prepared included elsewhere in this Preliminary Placement Document (see "Summary of Certain Significant Differences among Indian GAAP, IFRS and U.S. GAAP"), you should rely upon your own examination of us, the terms of the Issue and the financial information contained in the Preliminary Placement Document.

Natural calamities could adversely affect the Indian economy, our business and the price of the Equity Shares.

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions in 2003, the agricultural sector recorded a negative growth of 7.2%. Also, the erratic progress of the monsoon season in 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agricultural sector from 10.0% in 2004 to negligible growth in 2005. The agricultural sector grew by 5.9% in 2006 and by 3.8% in 2007. More recently in 2008, floods in the Uttar Pradesh region was one of the reasons for lower sugar production in the region where our businesses operate. As a result, growth in the agricultural sector fell to 2.6% in 2008. Further, prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and our business.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial performance and our ability to obtain financing to fund our growth on favorable terms or at all.

Financial instability in other countries, particularly emerging market countries, could disrupt our business and affect the price of the Equity Shares.

Although economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of the Equity Shares.

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

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. These provisions may discourage or prevent a third party from attempting to take control of us, even if a change in control would result in the purchase of the Equity Shares at a premium to the market price or would otherwise be beneficial to the holders of the Equity Shares. For more information, see "Indian Securities Market — Takeover Code".

You may be restricted in your ability to exercise pre-emptive rights under Indian law and be diluted in your ownership position.

Under the Companies Act, 1956, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares which are voted on the resolution unless we have obtained Government approval to issue without such rights. Moreover, if the law of the jurisdiction you are in does not permit you to exercise your pre-emptive rights without us filing an offering document or registration statement with the applicable authority of such jurisdiction, you will be unable to exercise your pre-emptive rights unless we make such a filing. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, your proportional interest in us may be reduced.

Risks Associated with the Equity Shares and this Issue

The articles of association of the Company (the "Company Articles") and BHSIL (the "BHSIL Articles") contain provisions granting certain pre-emptive and other rights to third parties.

The BHSIL Articles state that until such time that IFC holds a minimum of 50% of the shares that it would receive upon full conversion of convertible bonds issued to it on June 16, 2007 (the "IFC Condition"), certain corporate actions of BHSIL will require the consent of IFC. These actions include any change in the BHSIL Articles or any action altering the rights of IFC under any agreement between BHSIL and IFC in connection with BHSIL's convertible bonds (the "FCCB Agreement"); authorizing or issuing any equity shares having a preference over, or ranking senior to, the shares that IFC may receive under the FCCB Agreement; any merger, consolidation, sale of shares or similar transaction resulting in a change of control, or sale of all, or substantially all of the assets, of BHSIL; any reduction of capital of BHSIL; any liquidation, winding-up, reorganization or other proceedings of BHSIL relating to insolvency; any change the nature of the business of BHSIL; or delisting any of BHSIL's share capital. In addition, IFC has pre-emptive rights over any equity or quasi-equity issuance of BHSIL, as well as the right to nominate a director or observer to the board of directors of BHSIL and certain information rights. There can be no assurance that IFC will exercise or refrain from exercising its rights under the IFC Condition or provide any necessary consent that BHSIL may request to take certain corporate actions. For so long as IFC continues to have these rights under the IFC Condition, there can be no assurance that IFC's actions will be in our or BHSIL's business interests.

The BHSIL Articles further state that each of the Company and BHSIL shall take any and all actions as may be necessary to ensure that the public shareholding of BHSIL shall be 30% of BHSIL's outstanding share capital before March 31, 2012 and 40% after March 31, 2012 until such time as IFC holds any shares in BHSIL. We will experience dilution of our shareholdings in BHSIL as a result of these agreements.

In addition, the Company Articles contain provisions that grant a former shareholder certain rights to manage the operations of the Company, although the enforceability of these provisions is uncertain. For additional details, see "Description of the Shares – Certain Provisions of the Articles".

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 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;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- significant developments in India's economic liberalisation and deregulation policies.

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.

Future issues or sales of our Equity Shares or the equity shares of BHSIL may significantly affect the trading price of the Equity Shares.

A future issue of Equity Shares by us or the disposal of Equity Shares by any of our significant shareholders, or the perception that such issues or sales may occur, may significantly affect the trading price of the Equity Shares. As of the date of the Preliminary Placement Document, there are 99,572 outstanding foreign currency convertible bonds (each representing one Equity Share) issued by the Company. Further, on May 18, 2009, 14,500,000 warrants convertible into one Equity Share per warrant at a price of Rs.52.14 per share were issued to Mr. Shishir Bajaj, our Promoter. These warrants are convertible at any time on or prior to November 17, 2010 and if converted in full, will result in the Promoter's shareholding increasing from 46.4% to 51.4% (assuming that no other Equity Shares have been issued by the Company, including any Equity Shares pursuant to this Issue). You will experience dilution upon the issue and allotment of additional Equity Shares upon the conversion of these instruments. Other than (i) the agreements to be entered into by certain of our shareholders to not offer, pledge, sell, contract to sell, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Equity Shares for a certain period of time as a result of this Issue, or (ii) any regulatory consent that may be required under applicable law, there are no restrictions on our ability to issue further Equity Shares, including any securities to the Promoters, and there can be no assurance that we will not issue further Equity Shares in the future. The issue or sale of a large number of our Equity Shares by us or any of our significant shareholders, or the perception that such issues or sales may occur, could adversely affect the market price of our Equity Shares.

BHSIL, our significant subsidiary, is also listed on the stock exchanges in India. Factors affecting the trading price of the shares of BHSIL may also affect the trading price of the Equity Shares of the Company.

BHSIL has recently obtained shareholder approval to issue new securities, including, among others, equity shares or convertible instruments. Any issue of such securities by BHSIL will dilute the Company's shareholding in BHSIL.

The Equity Shares are subject to transfer restrictions.

The Equity Shares are being offered in transactions not required to be registered under the Securities Act. Therefore, the Equity Shares may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities laws.

Pursuant to the SEBI Guidelines, for a period of twelve months from the date of the issue of the Equity Shares in the Issue, QIBs purchasing Equity Shares in the Issue may only sell their Equity Shares across the floor of the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. This may affect the liquidity of the Equity Shares purchased by you and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by you.

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 realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("STT") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares in an Indian company held for more than 12 months which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Further, Indian tax on capital gains may be relieved under certain tax treaties. For further information, refer to the section "Taxation".

There is no guarantee that the Equity Shares proposed to be issued will be listed on the BSE and the NSE in a timely manner or at all.

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

Any trading closures at the BSE and the NSE may adversely affect the trading price of our 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 BSE and the NSE 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, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

MARKET PRICE INFORMATION

The Equity Shares are listed and traded on the BSE and the NSE. The stock market data presented below is given for BSE and the NSE separately.

- (i) The following tables set forth the reported high and low closing prices of the Equity Shares and the total trading volume on the BSE and the NSE during the last three financial years:

BSE

Year ending September 30	High (Rs.)	Date of High	Volume on date of high (Number of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the year (Rs.)
2006	568.80	April 21, 2006	1,099,752	180.10	October 28, 2005	67,849	351.85
2007	352.00	October 27, 2006	595,211	115.55	August 22, 2007	757,023	194.93
2008	399.50	January 9, 2008	2,957,839	97.00	September 30, 2008	1,049,900	203.58

Source: www.bseindia.com

NSE

Year ending September 30	High (Rs.)	Date of High	Volume on date of high (Number of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the year (Rs.)
2006	569.90	April 21, 2006	2,340,001	181.20	October 28, 2005	173,338	352.20
2007	352.00	October 27, 2006	1,322,939	115.00	August 22, 2007	1,767,258	194.90
2008	399.00	January 9, 2008	7,354,159	95.50	September 30, 2008	3,010,982	203.58

Source: www.nseindia.com

- (ii) The following tables set forth the reported high and low closing prices of the Equity Shares and the total trading volume on the BSE and the NSE during the last six months:

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (Number of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the month (Rs.)
December 2008	74.40	December 31, 2008	5,526,279	38.55	December 2, 2008	368,606	54.92
January 2009	76.65	January 1, 2009	1,781,936	51.10	January 13, 2009	1,627,809	60.34
February 2009	58.50	February 2, 2009	1,401,685	43.50	February 27, 2009	543,936	51.54
March 2009	49.70	March 30, 2009	681,880	39.00	March 12, 2009	354,259	43.48
April 2009	80.10	April 17, 2009	2,918,210	47.50	April 1, 2009	1,481,146	68.41
May 2009	148.75	May 26, 2009	975,912	76.85	May 4, 2009	2,291,802	119.82

Source: www.bseindia.com

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (Number of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the month (Rs.)
December 2008	74.35	December 31, 2008	9,824,906	38.00	December 2, 2008	791,455	54.89
January 2009	80.00	January 2, 2009	2,752,648	51.05	January 13, 2009	4,035,576	60.29

Month, Year	High (Rs.)	Date of High	Volume on date of high (Number of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (Number of Equity Shares)	Average price for the month (Rs.)
February 2009	58.50	February 2, 2009	3,502,932	43.55	February 27, 2009	1,469,572	51.58
March 2009	49.65	March 30, 2009	2,478,496	39.15	March 12, 2009	1,166,678	43.51
April 2009	80.15	April 17, 2009	7,875,148	47.65	April 1, 2009	3,963,653	68.43
May 2009	147.30	May 26, 2009	3,231,735	75.60	May 4, 2009	5,871,176	119.96

Source: www.nseindia.com

- (iii) The following tables set forth the details of the number of Equity Shares and the volume of business transacted during the last six months and the last three financial years on the Stock Exchanges:

Number of Equity Shares

Period	BSE	NSE
December 2008	72,313,376	68,886,845
January 2009	21,182,177	57,185,084
February 2009	1,8031,992	46,565,771
March 2009	11,076,614	35,513,069
April 2009	31,754,811	88,726,624
May 2009	60,002,409	174,217,988
Year Ended September 30, 2006	132,100,340	284,076,564
Year Ended September 30, 2007	183,331,047	444,910,222
Year Ended September 30, 2008	308,742,372	698,398,079

(Source: www.bseindia.com, www.nseindia.com)

Volume of business

(Rs. in million)

Period	BSE	NSE
December 2008	4,549.79	4,194.15
January 2009	1,312.54	3,538.65
February 2009	939.80	2,432.53
March 2009	493.25	1,579.97
April 2009	2,192.79	6,145.05
May 2009	6,610.06	19,334.97
Year Ended September 30, 2006	47,215.60	101,781.45
Year Ended September 30, 2007	36,179.44	86,835.11
Year Ended September 30, 2008	66,931.91	152,167.39

(Source: www.bseindia.com, www.nseindia.com)

- (iv) The following table sets forth the market price on the Stock Exchanges on December 22, 2008, the first working day following the approval of the Board of Directors for the Issue:

Date	BSE				NSE			
	Open	High	Low	Close	Open	High	Low	Close
December 22, 2008								
Price of the Equity Shares (Rs.)	59.95	65.80	58.75	60.25	64.95	65.90	58.15	60.05
Volume on the Date (number of Equity Shares)	2,283,225				6,051,947			

(Source: www.bseindia.com, 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.

USE OF PROCEEDS

The net proceeds of the Issue, after deduction of management fees, placement fees, selling commission, offer fees, discounts and commissions, if any, but before deduction of other expenses associated with the Issue, are estimated to be approximately Rs.[●] million. For further details, see the section “Placement”.

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds received from the Issue for repayment of loans, working capital and general corporate purposes.

In accordance with the policies instituted by the Board, our management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purpose described above, we intend to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies as approved by the Board from time to time.

CAPITALIZATION AND INDEBTEDNESS

The following table shows, as at March 31, 2009:

- our actual capitalization and indebtedness on an unaudited consolidated basis; and
- our capitalization on an unaudited consolidated basis as adjusted for the Issue.

This table should be read in conjunction with our unaudited consolidated financial statements as of and for the six months ended March 31, 2009 and the related notes, the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial statements and information contained elsewhere in this Preliminary Placement Document.

	As at March 31, 2009			
	Actual		As adjusted for the Issue	
	(unaudited)		(unaudited)	
	(Rs. in million)	US\$ in million	(Rs. in million)	US\$ in million
Shareholders’ Funds				
Capital	141.41	2.78	[•]	[•]
Stock Options Outstanding	161.77	3.18	[•]	[•]
Reserves and Surplus	12,464.99	244.65	[•]	[•]
Total Shareholders’ Funds	12,768.17	250.61	[•]	[•]
Loan Funds				
Secured	35,690.62	700.50	[•]	[•]
Unsecured	7,855.83	154.19	[•]	[•]
Total Debt	43,546.45	854.69	[•]	[•]
Total Capitalization	56,314.62	1105.30	[•]	[•]

Notes:

1. At the meeting held on May 4, 2009, the Company’s shareholders approved a preferential issue of shares to the promoter group of the Company, pursuant to which an aggregate of 14,500,000 convertible warrants have been allotted to Mr. Shishir Bajaj, our Promoter, on May 18, 2009 after a sum equivalent to 25% of the total value for such Equity Shares was received by the Company. Each warrant entitles the holder to subscribe for and be allotted an aggregate of 14,500,000 equity shares of face value Re.1 each at a price of Rs.52.14 per Equity Share any time within a period of 18 months from the date of allotment of the warrants. If the option on all the warrants is exercised, it may result in an addition of 14,500,000 equity shares of the face value of Re.1 each to the paid up equity share capital and will result in the promoter group’s shareholding increasing from 46.42% to 51.40% (assuming that no other Equity Shares have been issued by the Company, including any Equity Shares pursuant to this Issue).
2. The Company has allotted zero coupon convertible bonds due 2011 of an aggregate value of US\$120 million, of which bonds aggregating to US\$0.50 million had been converted. In addition, under a bond repurchase programme, the Company repurchased bonds aggregating principal amount of US\$19.928 million and as of the date of this Preliminary Placement Document, convertible bonds aggregating principal amount of US\$99,572,000 are outstanding. If all the outstanding bonds are converted at the conversion price of Rs.465.40 per share (the exercise price under the terms of issue of such convertible bonds), it may result to in addition of 9,430,884 Equity Shares to the paid up equity share capital.
3. BHSIL has allotted zero coupon convertible bonds due 2014 of an aggregate value of US\$15 million, all of which are outstanding as of the date hereof. If all the outstanding bonds are converted at the agreed conversion price of Rs.50 per share, it may result in an addition of approximately 12,000,000 equity shares of the face value of Re.1 each to the paid up equity share capital and a proportionate decrease in the Company’s ownership interest in BHSIL.
4. Pursuant to its employee stock option plan, BHSIL has granted 1,100,000 options until date of which 645,000 options remain outstanding. All the resultant 11,000,000 have been allotted to the PSIL Employee Stock Options and Welfare Trust. No fresh equity shares of BHSIL are required to be issued in this regard.
5. Pursuant to a proposed scheme of arrangement among BHSIL, PSPL and their respective creditors and shareholders (which remains subject to various approvals), PSPL will merge with and into BHSIL and in consideration, BHSIL will issue equity shares to the shareholders of PSPL in accordance with the scheme. It is also proposed that certain optionally convertible debentures of BHSIL will be issued and allotted to the Company in accordance with the scheme. This scheme of arrangement is currently pending with the Delhi High Court and is yet to be filed before the Bombay High Court.

DIVIDEND POLICY

We generally declare and pay dividend 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:

Fiscal Year	No. of Shares entitled to dividends	Dividend per Equity Share (Rs.)	Total Amount of Dividend Paid (Rs. in millions)
2008	141,407,111	0.60	84.84
2007	141,407,111	0.60	84.84
2006	141,407,111	0.60	84.84

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. The form, frequency and amount of future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors and shall be at the discretion of our Board and subject to the approval of our shareholders.

For a summary of certain Indian and United States federal tax consequences of dividend distributions to shareholders, see the section "Taxation". For a description of our regulation of dividends, see the section "Description of the Shares – Dividends".

SELECTED REFORMATTED FINANCIAL INFORMATION

The following tables present selected financial and other data regarding our business and should be read together with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this Preliminary Placement Document. Our audited financial statements as of and for the years ended September 30, 2006, 2007 and 2008 and our unaudited financial statements as of and for the six-month periods ended March 31, 2008 and 2009 included herein have been examined by Dalal & Shah, Chartered Accountants, our independent statutory auditors, in accordance with Indian GAAP. The financial statements have been presented in Indian rupees and are presented on a consolidated basis.

Solely for the convenience of the reader, the selected data set out below are presented in a format different from our audited and unaudited financial statements. This reformatting generally involves changes in the description or classification of certain amounts from those shown in our audited and unaudited financial statements, which are summarized in the footnotes set forth below. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information prepared in accordance with Indian GAAP and U.S. GAAP or other accounting principles.

Indian GAAP differs in certain material respects from U.S. GAAP. For a summary of the significant differences among Indian GAAP, IFRS and U.S. GAAP as they relate to us, see “Summary of Certain Significant Differences among Indian GAAP, IFRS and U.S. GAAP”.

	For the year ended September 30,				For the six months ended March 31,		
	2006	2007	2008	2008 ⁽¹⁾	2008	2009	2009 ⁽¹⁾
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
		(audited)				(unaudited)	
Income Statement Data							
Gross Sales/Income from operations ⁽²⁾	15,648.8	19,137.0	22,176.8	435.3	9,817.7	10,068.2	197.6
Less: Excise Duty.....	(820.4)	(1,332.3)	(1,475.3)	(29.0)	(695.4)	(476.8)	(9.4)
Other Operating Income ⁽³⁾	395.4	319.2	416.0	8.1	203.5	1,388.3	27.3
Other Income.....	2.7	4.7	85.2	1.7	—	—	—
Total Income.....	15,226.5	18,128.6	21,202.7	416.1	9,325.8	10,979.7	215.5
Expenditure:							
Raw materials consumed.....	9,517.5	13,440.9	15,956.1	313.2	13,721.7	10,340.9	203.0
Manpower cost ⁽⁴⁾	584.9	1,423.3	1,482.9	29.1	752.0	883.5	17.3
Other expenses ⁽⁵⁾	1,363.7	2,424.9	4,088.2	80.2	1,744.6	1,446.9	28.4
(Increase)/Decrease in Stock-in-Trade and Work-in-Progress ...	228.1	(1,391.8)	(2,262.9)	(44.4)	(9,220.8)	(4,914.1)	(96.4)
	11,694.2	15,897.3	19,264.3	378.1	6,997.5	7,757.2	152.3
Profit Before Depreciation,							
Interest, Extraordinary Items & Tax.....	3,532.3	2,231.3	1,938.4	38.0	2,328.3	3,222.5	63.2
Depreciation.....	759.4	1,610.9	2,798.7	54.9	1,174.1	1,770.1	34.7
Interest and Finance Charges (Net) ⁽⁶⁾	33.4	915.0	2,071.3	40.6	496.3	1,626.3	31.9
Profit/(loss) for the year before Extraordinary Items & Tax.....	2,739.5	(294.6)	(2,931.6)	(57.5)	657.9	(173.9)	(3.4)

	For the year ended September 30,				For the six months ended March 31,		
	2006	2007	2008	2008 ⁽¹⁾	2008	2009	2009 ⁽¹⁾
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Extraordinary Items.....	-	-	-	-	-	-	-
Profit/(loss) before Tax	2,739.5	(294.6)	(2,931.6)	(57.5)	657.9	(173.9)	(3.4)
Provision for Taxation:							
Current tax	312.7	42.0	1.3	0.0	105.5	34.1	0.7
Deferred tax	849.8	(216.8)	(1,004.2)	(19.7)	184.2	76.8	1.5
Wealth tax	0.8	1.8	3.0	0.1	1.1	1.5	0.0
Fringe benefit tax.....	9.7	12.9	19.6	0.4	13.8	6.3	0.1
Less: MAT credit entitlement	(275.8)	(40.8)	-	-	(104.1)	(34.0)	(0.7)
Profit/(Loss) for the year.....	1,842.3	(93.7)	(1,951.3)	(38.3)	457.4	(258.6)	(5.0)
Less Minority Interest.....	-	(114.5)	(172.8)	(3.4)	17.5	23.1	0.5
Pre-acquisition Profit/(Loss).....	-	-	(204.3)	(4.0)	(204.3)	-	-
Income attributed to consolidated group.....	1,842.3	20.8	(1,574.2)	(30.9)	644.2	(281.7)	(5.5)
Add:							
Balance brought forward.....	144.1	192.6	162.2	3.2	162.2	(1,540.8)	(30.2)
(Excess)/Short provision for tax ..	(6.0)	(53.6)	24.9	0.5	-	16.7	0.3
Dividends paid for FCCB conversion.....	10.5	-	-	-	-	-	-
Corporate dividend tax on dividend paid	1.5	-	-	-	-	-	-
Debenture redemption reserve no longer required.....	-	(50.0)	-	-	-	-	-
Transfers to:							
Reserve for molasses storage tank.....	3.6	5.6	4.7	0.1	3.1	0.5	0.1
General reserve	500.0	50.0	-	-	-	-	-
Debenture redemption reserve.....	1,187.5	-	-	-	-	-	-
Proposed dividend	84.8	84.8	84.8	1.6	-	-	-
Corporate dividend tax on proposed dividend.....	11.9	14.4	14.4	0.3	-	-	-
Balance carried to balance sheet..	192.6	162.2	(1,540.8)	(30.2)	803.3	(1,839.7)	(36.1)

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Balance Sheet Data							
Current Assets:							
Cash and Bank Balances	2,311.2	2,673.9	1,740.3	34.2	1,441.6	5,861.5	115.0

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
	(Rs. millions)			(US\$ millions)	(Rs. millions)		(US\$ millions)
	(audited)				(unaudited)		
Inventories.....	1,433.7	4,338.2	7,923.7	155.5	15,153.8	13,200.3	259.1
Sundry Debtors.....	663.4	1,136.8	543.0	10.6	818.8	841.5	16.5
Loans & Advances.....	4,438.4	12,399.9	15,714.2	308.4	16,472.0	16,634.2	326.5
Total Current Assets.....	8,846.7	20,548.8	25,921.2	508.7	33,886.2	36,537.5	717.1
Current Liabilities and Provisions.....	4,015.3	10,129.0	11,692.9	229.4	23,794.1	24,149.7	474.0
Net Current Assets.....	4,831.4	10,419.8	14,228.3	279.3	10,092.1	12,387.8	243.1
Investments.....	0.7	0.7	0.7	0.0	0.7	0.7	0.0
Fixed Assets ⁽⁷⁾							
Gross Block.....	13,791.0	29,217.8	47,452.2	931.4	40,683.4	52,174.1	1,024.1
Capital work in progress	14,721.0	16,298.7	1,587.4	31.2	8,304.3	1,500.1	29.4
Less: Accumulated Depreciation.....	3,054.9	4,670.8	7,191.2	141.2	5,914.4	8,935.9	175.4
Net Fixed Assets.....	25,457.1	40,845.7	41,848.4	821.4	43,073.3	44,738.3	878.1
Total Assets.....	30,289.2	51,266.2	56,077.4	1,100.7	53,166.1	57,126.8	1,121.2
Loan Funds:							
Secured Loans.....	4,753.2	26,788.3	36,636.8	719.1	30,436.6	35,690.6	700.5
Unsecured Loans.....	10,659.2	9,146.2	6,714.0	131.8	5,963.5	7,855.8	154.2
	15,412.4	35,934.5	43,350.8	850.9	36,400.1	43,546.4	854.7
Deferred Tax Liability (Net).....	1,262.0	1,045.1	39.3	0.8	1,229.3	116.1	2.3
Shareholders' Funds							
Share Capital.....	141.4	141.4	141.4	2.8	141.4	141.4	2.8
Stock options outstanding.....	—	223.2	161.8	3.2	170.5	161.8	3.2
Reserves and Surplus.....	13,473.4	13,695.7	11,711.1	229.8	14,333.7	12,465.0	244.6
Net Worth.....	13,614.8	14,060.3	12,014.3	235.8	14,645.6	12,768.2	250.6
Minority interest.....		226.3	673.0	13.2	891.1	696.1	13.6
Total Funds Employed.....	30,289.2	51,266.2	56,077.4	1,100.7	53,166.1	57,126.8	1,121.2

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
	(Rs.)			(US\$)	(Rs.)		(US\$)
	(audited)				(unaudited)		
Other Data							
Adjusted EBITDA ⁽⁸⁾ (millions)....	3,565.5	2,226.6	3,071.4	60.2	2,328.3	3,222.5	63.2
Adjusted EBITDA/Revenue and other Income recurring(%).....	23.4	12.3	14.5	14.5	25.0	29.3	29.3
Adjusted EBITDA/Gross Interest Expenses ⁽⁹⁾	7.2	1.7	1.2	1.2	3.0	1.7	1.7
Earning per Share Basic ⁽¹⁰⁾	13.8	0.5	(11.3)	(0.2)	4.6	(2.1)	(0.04)
Earning per Share Basic Diluted ⁽¹⁰⁾	13.8	0.5	(11.3)	(0.2)	4.6	(2.1)	(0.04)
Total Debt/Adjusted EBITDA.....	4.3	16.1	14.1	14.1	15.6	13.5	13.5

	As at September 30,				As at March 31,		
	2006	2007	2008	2008	2008	2009	2009
		(Rs.)		(US\$)	(Rs.)		(US\$)
		(audited)				(unaudited)	
Net Debt/Total Capital ⁽¹¹⁾	0.9	2.2	3.5	3.5	2.2	2.9	2.9
Dividend per share ⁽¹²⁾	Rs. 0.60	Rs. 0.60	Rs. 0.60	\$0.01	—	—	—

Notes to the Selected Consolidated Financial Statements:

- (1) Certain amounts in Rupees were converted to U.S. dollars using the RBI reference exchange rate of Rs.50.95 per U.S.\$1.00 as of March 31, 2009.
- (2) Gross sales includes sales of manufactured goods, by-products, power and export incentives.
- (3) Other Operating Income is comprised of surplus on sale of assets, lease and management fees, gains due to foreign exchange fluctuation, scrap/store sales, provisions no longer required/credit balances appropriated and miscellaneous receipts.
- (4) Manpower costs consist of salaries & wages, contributions to provident and other funds and schemes and employees' welfare expenses.
- (5) Other Expenses comprise, power and fuel, rent, repairs, selling commissions, director fees, losses on sales of assets, miscellaneous expenses, loss due to foreign exchange fluctuation and other expenses as per page F-14 of our audited consolidated financial statements for the years ended September 30, 2006, 2007 and 2008 and page F-35 of our unaudited reviewed consolidated financial statements for the six-month periods ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (6) Net Interest and Finance Charges is comprised of interest on debentures, term loans, working capital loans, fixed deposits, other interest and finance charges as reduced by interest transferred to capital account and interest received on loans and other accounts for the years ended September 30, 2006, 2007 and 2008 and as shown in Schedule 14 on page F-15 of our audited consolidated financial statements and in Schedule 14 on page F-36 of our unaudited reviewed consolidated financial statements for the six months ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (7) Fixed Assets, among other items, includes land, buildings, plant & machinery, vehicles, leased assets and intangible assets. Capital work in progress includes advances to suppliers/contractors, expenses incurred in relation to plant & machinery as well as other civil works in progress and preoperative expenses.
- (8) Adjusted EBITDA is Profit before Depreciation, Interest, Extraordinary Items and Tax as reduced by Other non-recurring Income of Rs.2.7 million, Rs.4.7 million and Rs.85.2 million for the years ended September 30, 2006, 2007 and 2008, respectively, and Rs.0.0 million and Rs.0.0 million for the six-month periods ended March 31, 2008 and 2009, respectively and further increased by non-recurring expenditure of Rs.35.9 million, Rs.0.0 million and Rs.1,218.2 million for the years ended September 30, 2006, 2007 and 2008, respectively. There were no non-recurring expenditures for the six-month periods ended March 31, 2008 and 2009, respectively.
- (9) Gross Interest Expenses consists of interest on debentures and Term Loans and other Interest charges paid as shown on Schedule 14 on page F-15 of our audited financial statements for the years ended September 30, 2006, 2007 and 2008, and page F-36 of our unaudited reviewed financial statements for the six-month periods ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (10) EPS is presented based on face value of Rs.1.00 per share. For EPS refer to page F-4 of our audited consolidated financial statements for the years ended September 30, 2006, 2007 and 2008 and page F-26 of our unaudited reviewed consolidated financial statements for the six-month periods ended March 31, 2008 and 2009 included elsewhere in this Preliminary Placement Document.
- (11) Net Debt has been computed by subtracting cash and bank balances from total debt. Total Capital is total funds employed including Deferred Tax Liability (net).
- (12) See "Dividend Policy".

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

The following discussion and analysis of our financial condition is based on our consolidated financial statements as of and for the years ended September 30, 2006, 2007 and 2008 and for the six-month periods ended March 31, 2008 and 2009. This discussion contains forward-looking statements and reflects our current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Preliminary Placement Document. This discussion should be read together with our Indian GAAP financial statements and related notes included elsewhere in this Preliminary Placement Document. We prepare our consolidated financial statements in accordance with Indian GAAP, which differs in some respects from IFRS and U.S. GAAP. See "Summary of Certain Significant Differences among Indian GAAP, IFRS and U.S. GAAP".

Overview

India is the world's largest consumer of plantation white sugar and we believe we are the largest sugar and industrial alcohol manufacturing company in India in terms of installed capacity as of September 30, 2008. We process sugarcane, the principal raw material used to produce sugar and industrial alcohol. Our principal product is plantation white sugar, a type of crystal sugar which is the trade standard in India and Asia. Besides sugar, we also produce various types of industrial alcohol, as well as electric power. Industrial alcohol is manufactured by processing molasses, a by-product of the sugar production process. Our principal industrial alcohol product is ethanol, which is used as an additive in gasoline. We generate electricity to power our sugar mills, and in the process we produce excess power which we sell to the Uttar Pradesh State grid. In addition, we also manufacture particle boards and medium-density fibre boards. These products are manufactured from bagasse, which is another by-product of the sugar production process. In fiscal year 2008, we had gross consolidated sales of Rs.22,176.8 million of which 78.8% was attributable to sales of sugar, 16.0% was attributable to sales of industrial alcohol and 1.6% was attributable to sales of power. For the first six months of fiscal year 2009, we had gross consolidated sales of Rs.10,068.2 million of which 85.0% was attributable to sales of sugar, 6.9% was attributable to sales of industrial alcohol and 2.2% was attributable to sales of power. We sell our sugar, industrial alcohol products, power, particle boards and medium-density fibre boards in the Indian domestic markets.

Sugarcane is harvested and crushed during the period from October to April or May. The sugar production season is also referred to as the crushing season. Production of sugar depends on crushing capacity and availability of sugarcane. According to the Indian Sugar Mills Association ("ISMA") Handbook of Sugar Statistics dated October 2008, India's sugar production increased from 19.3 MMT in the 2005-2006 crushing season to 28.3 MMT in the 2006-2007 crushing season but slightly decreased to 26.3 MMT in the 2007-2008 crushing season principally due to adverse weather conditions during the growing season and farmers deciding to grow other crops due to a higher minimum price offered to farmers by the Government for wheat and paddy crops. However, during this period, domestic consumption of sugar increased from 18.5 MMT in 2005-2006 to 21.0 MMT in 2006-2007 and 22.5 MMT in 2007-2008. Sugar exports also increased, from 1.1 MMT in 2005-06 to 1.7 MMT in 2006-2007 to 5.0 MMT in 2007-2008. To make up for the domestic shortfall, sugar manufacturers have been depleting their inventory and sugar prices have begun to rise.

To take advantage of the strong demand for sugar and the current trend of increasing prices, we consolidated our market position by increasing our crushing capacity as well as expanding the area of raw material available to us through greenfield and brownfield developments and selective sugar mill acquisitions since 2004.

In the State of Uttar Pradesh, farmers growing sugarcane within a 15 kilometer radius around a sugar mill supply the sugarcane to that mill. As part of our recent expansion activities, we have established new mills at different locations within Uttar Pradesh. Our strategy of having sugar mills in multiple locations has

increased the area of raw material under our control and enhanced the availability of sugarcane to our mills since farmers within our reserved areas would typically supply sugarcane to our mills.

Historically, the sale of sugar has been highly regulated. The Government has the right to purchase a certain percentage of our production at fixed prices for the Public Distribution System set up by the Government. Currently, only 10% of production from each of our sugar mills is subject to this levy and we are able to sell the balance at market prices subject to Government controls on the quantity of sugar each mill may release into the market.

We aim to maximize our revenues by managing our inventories and decreasing our per unit cost of sales. Sugarcane is crushed and payments to our farmers are made during the crushing season, which overlaps with our first two fiscal quarters, resulting in higher working capital requirements. Sugar mills that do not have sufficient cash during the crushing season sell much of their sugar during this period, which depresses the market price. We generally maintain higher inventories of our sugar during the crushing season and sell higher volumes during the off-season when supply of sugar has decreased and selling prices are higher. Therefore, results of operations are better during the second half of the fiscal year with expenses being lower and sales volume and profit generally being the highest in the last quarter of our fiscal year.

Our principal raw material is sugarcane. Given that we operate in the State of Uttar Pradesh, at the beginning of each crushing season, the State government fixes the SAP, which is the minimum price of sugarcane payable to farmers by us and all sugar producers in the State. Our ability to lower our unit cost mainly depends on our operational efficiency in recovering sugar during the crushing process. In the Government's Revitalization Report, it was found that the minimum sustainable size for any new sugar mill is at least 5,000 TCD. The crushing capacity of each of our existing plants is above 5,000 TCD. We normally sell sugar in 100 kilogram bags to our customers. Our unit cost of sales for sugar has decreased from an average of Rs.1,579 per bag in fiscal year 2006 to Rs.1,325 per bag in fiscal year 2007 and increased to Rs.1,657 per bag in fiscal year 2008 and Rs.1,959 per bag in the six months ended March 31, 2009. Due to the low sugarcane supply in the 2008-2009 crushing season, our production decreased and our unit cost increased as the State Government of Uttar Pradesh raised the SAP for sugarcane to Rs.1,400 per metric ton despite the decreasing price of sugar in the market.

We mainly produce ethanol from our molasses, which we sell to Indian oil companies. In October 2007, the Government required Indian oil companies in certain States to blend 5% ethanol into their fuel products, and there have been proposals for the blending requirement to be increased to 10%. However, there can be no assurance that the Government will pass a 10% ethanol blending requirement. Aside from ethanol, we produce other industrial alcohol such as rectified spirits, which are primarily consumed by chemical companies in India.

We have co-generation facilities which have an aggregate installed capacity of approximately 428 MW. Of this installed capacity, we have approximately 105 MW of power in excess of the amount required to operate our business. We sell this surplus power to the Uttar Pradesh State grid.

In April 2008, we also began to produce environmentally-friendly particle boards and medium-density fibre boards from our bagasse by-product for sale.

Factors Affecting Operating Results

Our results of operations have been influenced and will continue to be influenced by the following key factors:

Sales Volume of Sugar and Industrial Alcohol

The sugar industry in India is very fragmented. As a result, our pricing power is limited. Achieving high sales volumes in sugar and industrial alcohol is critical to maintaining and increasing our revenues. Most of our sales are in and around the State of Uttar Pradesh. In the last three fiscal years, we have also been

targeting markets in the eastern States such as Assam and West Bengal. Our efforts have resulted in an increased presence in these markets.

Higher production of sugar results in higher quantities of molasses. We have been expanding our industrial alcohol production capacity to process the increased amounts of molasses we produce. Our sales volume of industrial alcohol increased from 88,680 KL in fiscal year 2007 to 150,129 KL in fiscal year 2008 and constituted approximately 10.3% and 16.0% of our consolidated gross sales in fiscal years 2007 and 2008, respectively. In the first six months of fiscal year 2009, our industrial alcohol sales volume was 26,879 KL which constituted 6.9% of our consolidated gross sales for that period.

Selling Price of Sugar and Industrial Alcohol

A portion of our sugar is sold to the Public Distribution System pursuant to the Government's sugar levy at a fixed price. The balance of our sugar is sold at market prices determined by demand and supply in the markets where we sell sugar. Demand for sugar has been generally increasing as a result of the increase in population and a shift in preference from traditional sweeteners such as gur and khandsari to sugar. The consumption of sugar has increased at a CAGR of approximately 5%, from 12.27 MMT in the 1994-1995 crushing season to 22.5 MMT in the 2007-2008 crushing season according to ISMA. Supply of sugar has fluctuated in the last decade peaking at 28.3 MMT in the 2006-2007 crushing season. In the 2007-2008 crushing season, production of sugar fell 7.1% to 26.3 MMT and our average price of sugar increased by 14.8%. The table below sets out our average sugar selling prices for the periods indicated.

Fiscal Year	Our average selling price	Government levv price
	(Rs./metric ton)	
2005-2006.....	18,151	13,330
2006-2007.....	13,616	13,330
2007-2008.....	15,633	13,330

We manage our inventories so that we are able to sell our sugar towards the end of or after the crushing season when the selling prices are higher.

Demand for industrial alcohol products, especially ethanol, is generated by oil companies for use as an additive to gasoline. The price for ethanol we sell in India is set in accordance with tenders floated by State-owned oil companies. Fluctuations in price are largely the result of fluctuations in supply. The table below sets out our average industrial alcohol selling prices for the periods indicated.

Fiscal Year	Our average selling price
	(Rs./KL)
2005-2006.....	19,610
2006-2007.....	19,850
2007-2008.....	20,800

Industrial alcohol production depends on molasses and sugar production which in turn depends on availability of sugarcane. National sugarcane production decreased in the 2007-2008 crushing season resulting in a decreased supply of industrial alcohol and higher average selling prices.

Production Cost

Our cost of production principally comprises raw material costs and salaries and related costs. The availability of sugarcane, our key raw material, is affected by weather conditions, governmental trade policies and regulations and the amount of sugarcane planted by farmers, including substitution by farmers of other agricultural commodities for sugarcane. The SAP, which is the minimum price per quintal of sugarcane payable to farmers as determined by the State Government of Uttar Pradesh at the start of every crushing season, is the principal determinant of our production cost for sugar and industrial alcohol in a given crushing season.

Expansion

In 2008, we completed an expansion plan that we had commenced in 2004. In 2005, we commenced operations of three new sugar mills at Thanabhawan, Budhana and Bilai and acquired our Subsidiary, BHSIL, through which we became the owners of four additional sugar mills. In 2006, we commenced operations at three new sugar mills at Gangnauli, Khambarkhera and Barkhera. In 2007, our Maqsdpur mill commenced operations. We also expanded the capacities of our Kinauni, Thanabhawan, Budhana and Bilai sugar mills, and established power co-generation facilities at nine of our mills. In addition, to process the increased amount of molasses we produced during the 2006-2007 crushing season, we established four additional distilleries in Uttar Pradesh, each with a capacity of 160 KL per day. Furthermore, pursuant to the terms of a Scheme of Arrangement (which remains subject to various approvals) among us, PSPL and various creditors, we plan to merge BHSIL with PSPL and acquire two sugar mills that PSPL owns which have an aggregate combined crushing capacity of 12,000 TCD.

New Businesses

In April 2008, we began to produce particle boards and medium-density fibre boards through our Subsidiary, Bajaj Eco-Tec Products Limited. The main raw material for this product is the bagasse by-product we accumulate from crushing sugarcane. We have three manufacturing plants with an aggregate capacity to produce 210,000 cubic meters of particle board and medium-density fibre board per annum. In addition, we also began to import raw sugar for the first time in 2009 for refining and sale to the domestic market. We expect to benefit from reduced tariffs on raw sugar imports to supplement our sugar manufacturing operations.

Critical Accounting Policies

The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results as reported in the consolidated financial statements. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our estimates and assumptions are based on historical experiences, including changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. While our accounting policies are described in the notes forming part of our financial statements included elsewhere in this Preliminary Placement Document, we believe that our recent adoption of the following accounting policy warrants particular attention.

In compliance with a notification issued by the Ministry of Corporate Affairs dated March 31, 2009 related to accounting standard AS-11, in relation to the effects of changes in foreign exchange rates, we have exercised an option to record our foreign exchange losses beginning October 2008 to March 2009 in our capital assets account on our balance sheet rather than our income statement. Prior to this change in accounting treatment, we were required to record any gain or loss from foreign currency transactions based on the closing exchange rate at the end of each quarter on our income statement as income or expense. In addition, under the terms of such notification, we have given similar effect to the foreign exchange differences in relation to fiscal year 2008, as well as reversed the provision made in the first six months of fiscal year 2009. For more information, see Note 9 to our unaudited financial statements as of and for the six months ended March 31, 2009 included in this Preliminary Placement Document.

RESULTS OF OPERATIONS

The following table sets out our income statement, the components of which are expressed as a percentage of total revenue from our operations for the periods indicated.

Income Statement	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008			'March 2008		'March 2009		% of Total Revenue
	Rs. Million	% of Total Revenue	Rs. Million	% of Total Revenue	Rs. Million	USD ⁽¹⁾ Million	% of Total Revenue	Rs. Million	% of Total Revenue	Rs. Million	USD ⁽¹⁾ Million	
Revenue:												
Sugar	13,637.0	87.1	16,139.8	84.4	17,486.3	343.2	78.8	7,377.2	75.1	8,558.0	168.0	85.0
Industrial Alcohol	1,462.4	9.4	1,977.5	10.3	3,548.9	69.6	16.0	1,803.9	18.4	689.8	13.5	6.8
Power	-	-	22.6	0.1	343.8	6.8	1.6	268.8	2.7	218.7	4.3	2.2
Others ⁽²⁾	549.4	3.5	997.1	5.2	797.8	15.7	3.6	367.8	3.8	601.7	11.8	6.0
Gross Revenue	15,648.8	100.0	19,137.0	100.0	22,176.8	435.3	100.0	9,817.7	100.0	10,068.2	197.6	100.0
Less Excise Duty	820.4	5.2	1,332.3	7.0	1,475.3	29.0	6.7	695.4	7.1	476.8	9.4	4.7
Net Revenue	14,828.4	94.8	17,804.7	93.0	20,701.5	406.3	93.3	9,122.3	92.9	9,591.4	188.2	95.3
Other Income	398.1	2.5	323.9	1.7	501.2	9.8	2.3	203.5	2.1	1,388.3	27.3	13.8
Total Revenue	15,226.5	97.3	18,128.6	94.7	21,202.7	416.1	95.6	9,325.8	95.0	10,979.7	215.5	109.1
Expenditure:												
Raw Materials Consumed	9,517.5	60.8	13,440.9	70.2	15,956.1	313.2	72.0	13,721.7	139.8	10,340.9	203.0	102.7
Manpower Cost	584.9	3.7	1,423.3	7.4	1,482.9	29.1	6.7	752.0	7.6	883.5	17.3	8.8
Other Expenses	1,363.7	8.7	2,424.9	12.7	4,088.2	80.2	18.4	1,744.6	17.8	1,446.9	28.4	14.4
(Increase)/Decrease in Stocks	228.1	1.5	(1,391.8)	(7.3)	(2,262.9)	(44.4)	(10.2)	(9,220.8)	(93.9)	(4,914.1)	(96.4)	(48.8)
EBITDA ⁽³⁾	3,532.3	22.6	2,231.3	11.7	1,938.4	38.0	8.7	2,328.3	23.7	3,222.5	63.2	32.0
Interest & Finance charges (Net)	33.4	0.2	915.0	4.8	2,071.3	40.6	9.3	496.3	5.0	1,626.3	31.9	16.1
Depreciation	759.4	4.9	1,610.9	8.4	2,798.7	54.9	12.6	1,174.1	12.0	1,770.1	34.7	17.6
Profit / (Loss) before Taxation	2,739.5	17.5	(294.6)	(1.5)	(2,931.6)	(57.5)	(13.2)	657.9	6.7	(173.9)	(3.4)	(1.7)
Provision for Taxation:												
Current Tax	312.7	2.0	42.0	0.2	1.3	0.0	0.0	105.5	1.1	34.1	0.7	0.3
Deferred Tax	849.8	5.4	(216.8)	(1.1)	(1,004.2)	(19.7)	(4.5)	184.2	1.9	76.8	1.5	0.8
Wealth Tax	0.8	0.0	1.8	0.0	3.0	0.1	0.0	1.1	0.0	1.5	0.0	0.0
Fringe Benefit Tax	9.7	0.1	12.9	0.1	19.6	0.4	0.1	13.8	0.1	6.3	0.1	0.1
Total	1,173.0	7.5	(160.1)	(0.8)	(980.3)	(19.2)	(4.4)	304.6	3.1	118.7	2.3	1.2
Less: MAT credit entitlement	275.8	1.8	40.8	0.2	-	-	-	104.1	1.1	34.0	0.7	0.3
Net tax	897.2	5.7	(200.9)	(1.0)	(980.3)	(19.2)	(4.4)	200.5	2.0	84.7	1.6	0.9
Profit/(Loss) After Tax	1,842.3	11.8	(93.7)	(0.5)	(1,951.3)	(38.3)	(8.8)	457.4	4.7	(258.6)	(5.0)	(2.6)

- (1) For convenience, certain amounts in Rupees were converted to U.S. dollars using the RBI reference exchange rate of Rs.50.95 per U.S.\$1.00 as of March 31, 2009.
- (2) Includes surplus on the sale of assets, lease and management fees, gain due to foreign exchange fluctuation and scrap and stores.
- (3) EBITDA is defined as the earnings before finance cost, interest income, gains or losses from exceptional items, taxation and minority interest, depreciation and amortization expenses. Our definition of EBITDA may differ from similarly titled calculations of other companies. EBITDA is not an Indian GAAP or U.S. GAAP measure. You should not consider EBITDA as an alternative to net income/(loss) or cash flows from operating activities, as an indicator of our operating performance, as a measure of liquidity or as an indicator of a company's ability to service debt. EBITDA does not represent funds available for management's discretionary use because certain future cash expenditures are not reflected in the EBITDA presentation.

Revenue. Substantially all of our revenue is derived from the sale of sugar, industrial alcohol and power. We also receive proceeds from the sale of molasses, bagasse, press mud, and store and scrap material. In 2008, we also began to receive revenue from the manufacture and sale of particle boards and medium-density fibre boards. Scrap material is occasionally generated from our maintenance and repair activities. We recognize our revenue upon transfer of ownership, which typically occurs at the time of delivery of our

sugar products to our customers. Payment terms for our industrial alcohol products vary based on the terms of the tender.

Expenditure. Our expenditure consists of raw material cost, which consists of the cost of sugarcane, and employee expenses, which include salaries, wages, allowances, bonuses and other statutory benefits. Our other expenses mainly consist of, among others, stores, spares and packing material consumed, power and fuel expenses, rent, rates and taxes, repair and maintenance, insurance, selling commission, selling and distribution expenses, miscellaneous expenses, and loss due to foreign exchange fluctuation. Changes in stock-in-trade and work-in-progress relates to changes in the value of our inventories and excise duties.

Depreciation. Depreciation relates primarily to plant and equipment we own and is calculated on a straight-line basis. We have installed additional production facilities in recent years, and our fixed assets have correspondingly increased.

Interest (net). Our finance costs represent our interest on debentures, term loans and other interest offset by interest capitalized on long-term loans and interest received on bonds and other accounts.

Provision for Taxation. Our provision for taxation encompasses income tax, fringe benefit tax, wealth tax and deferred tax. Deferred tax arises mainly due to the timing differences in the depreciation rates applicable to the books of accounts and under the Income Tax Act, as well as credit for certain depreciation and tax losses. Our corporate tax rate is currently 33.99%. We provide for both current and deferred taxes.

Six-month Period Ended March 31, 2009 Compared to Six-month Period Ended March 31, 2008

In the six-month period ended March 31, 2009, we produced 0.6 MMT of sugar compared to 1.1 MMT the six-month period ended March 31, 2008. Our production for the first six months of fiscal year 2009 was 43.3% lower than that the first six months of fiscal year 2008. The sugarcane price, announced at the beginning of the crushing season, increased to Rs.1,400 per metric ton in the current crushing season from Rs.1,250 per metric ton in the last crushing season. Our average selling price of sugar during the first half of 2008-2009 also increased to Rs.18,414 per metric ton from Rs.13,874 per metric ton in the same period last year.

Revenue. Our revenue increased 2.6% to Rs.10,068.2 million in the six-month period ended March 31, 2009 from Rs.9,817.7 million in the six-month period ended March 31, 2008. The increase in revenue was primarily due to the increase in the average selling price for sugar. Sales of sugar, industrial alcohol and power accounted for approximately 85.0%, 6.9% and 2.2%, respectively, of our total revenue in the six-month period ended March 31, 2009.

Revenue from sales of sugar increased 16.0% to Rs.8,558.0 million in the six-month period ended March 31, 2009 from Rs.7,377.2 million in the six-month period ended March 31, 2008 due to an increase in the average sales price for sugar. Although our revenue from sugar sales increased, we sold less sugar in the first six months of fiscal year 2009 due to the lower amount of sugarcane made available to us. There was less sugarcane grown for the 2008-2009 crushing season in part because the Government offered higher prices to farmers for wheat and paddy, which encouraged farmers to decrease their cultivation of sugarcane. In addition, floods during the growing season contributed to poor sugarcane quality which led to a lower amount of recoverable sugar. Furthermore, jaggery and khandsari manufacturers offered farmers higher prices for their sugarcane which gave farmers an incentive to sell their sugarcane to jaggery and khandsari manufacturers instead of us. We supplemented our sugar sales with sugar we held in inventory from previous crushing seasons. As a result, our inventory of sugar decreased to 0.6 MMT during the first half of fiscal year 2009 compared to 0.9 MMT in the first half of fiscal year 2008.

Revenue from sales of industrial alcohol decreased 61.8% to Rs.689.8 million in the six-month period ended March 31, 2009 from Rs.1,803.9 million in the six-month period ended March 31, 2008. Despite a marginal increase in the price of industrial alcohol, the increase was not sufficient to offset the significant decrease in our sales volume to 26,879 KL in the six-month period ended March 31, 2009 from 80,536 KL

for the same period in the previous year. Our significantly lower volume of industrial alcohol sales was attributable to the lower amount of sugarcane available to us.

Revenue from sales of power decreased to Rs.218.7 million in the six-month period ended March 31, 2009 from Rs.268.8 million in the six-month period ended March 31, 2008 primarily due to the decline in bagasse available for power generation due to lower sugarcane availability. In addition, we began operating a 15 MW co-generation plant at our Kundarkhi mill. The price for power and our capacity for power generation both increased, but these increases were largely offset by an overall decrease in the amount of power we were able to generate and sell due to the decline in bagasse available for power generation.

Expenditure. Raw material consumed was Rs.10,340.9 million for the six-month period ended March 31, 2009, a decrease of 24.6% from Rs.13,721.7 million from the six-month period ended March 31, 2008, mainly due to lower availability of sugarcane. Employee costs increased to Rs.883.5 million for the six-month period ended March 31, 2009 compared to Rs.752.0 million for the same period in 2008 mainly because of salary increases and other employee costs due to increases in the crushing capacity of our sugar mills and the commencement of our plant operations for the manufacture of particle boards and medium-density fibre boards. Other expenses were Rs.1,446.9 million for the six-month period ended March 31, 2009 compared to Rs.1,744.6 million for the six-month period ended March 31, 2008. The decrease is in line with lower amounts of sugarcane crushed in the period.

EBITDA. For the six-month period ended March 31, 2009, our EBITDA was Rs.3,222.5 million compared to Rs.2,328.3 million for the six-month period ended March 31, 2008. The increase was primarily due to the higher income from our sugar operations due to higher sugar prices and an increase in revenue from power. These increases were partially offset by a significant decline in industrial alcohol revenue.

Depreciation. Depreciation was Rs.1,770.1 million during the six-month period ended March 31, 2009 compared to Rs.1,174.1 million for the six-month period ended March 31, 2008 primarily due the depreciation expense associated with additional sugar and co-generation plants.

Interest. Interest was Rs.1,626.3 million during the six-month period ended March 31, 2009 compared to Rs.496.3 million for the six-month period ended March 31, 2008. Our increase in interest expense was mainly due to the recognition of interest expense for loans related to additional sugar and co-generation plants that we added in 2008.

Tax. Our tax liability for the first half of fiscal year 2009 was Rs.84.7 million compared to Rs.200.5 million for the same period last year was primarily due to our net loss position.

Net Profit/Loss. We had a net loss of Rs.258.6 million in the six-month period ended March 31, 2009 compared to a net profit of Rs.457.4 million in the six-month period ended March 31, 2008, a decrease of Rs.716.0 million mainly due to higher depreciation and expenses associated with setting up new sugar mills and new manufacturing plants for our particle board and medium-density fibre board business.

Year Ended September 30, 2008 Compared to Year Ended September 30, 2007

National sugar production decreased in the 2007-2008 crushing season to 26.3 MMT from 28.3 MMT in the crushing 2006-2007 season because of reduced availability of sugarcane due to floods in the Uttar Pradesh region. As a result, our production decreased to 1.1 MMT in fiscal year 2008 compared to 1.3 MMT in fiscal year 2007, due to the lower availability of sugarcane. The overall decrease in the national supply of sugarcane resulted in higher average selling prices for our products.

Revenue. Our revenue increased 15.9% to Rs.22,176.8 million in fiscal year 2008 from Rs.19,137.0 million in fiscal year 2007. The increase in revenue was primarily associated with higher selling prices for our products. Sales of sugar, industrial alcohol and power accounted for approximately 78.8%, 16.0% and 1.6% of our total revenue in fiscal year 2008, respectively.

Revenue from sales of sugar increased 8.3% to Rs.17,486.3 million in fiscal year 2008 from Rs.16,139.8 million in fiscal year 2007. This increase was mainly due to an increase in the average price of sugar from Rs.14.5 per kilogram in fiscal year 2007 to Rs.16.3 per kilogram in fiscal year 2008. This increase in revenue due to higher sales prices for sugar was partially offset by a slight decrease in the amount of sugar we sold in fiscal year 2008 compared to fiscal year 2007.

Revenue from the sale of industrial alcohol increased 79.5% to Rs.3,548.9 million in fiscal year 2008 from Rs.1,977.5 million in fiscal year 2007 due to increases in the sales price and volume of industrial alcohol we sold. Our average sales price for industrial alcohol was Rs.23,639 per KL in fiscal year 2008 compared to Rs.22,299 per KL in fiscal year 2007. In addition, our sales volume increased to 150,129 KL in fiscal year 2008 from 88,680 KL in fiscal year 2007.

Revenue from sales of power was Rs.343.8 million in fiscal year 2008 compared to Rs.22.6 million in fiscal year 2007 due to the addition of co-generation plants in fiscal year 2008. Although there was a 2.7% decrease in our average income per unit to Rs.2.90 in fiscal year 2008 from Rs.2.98 in fiscal year 2007, we sold more power in fiscal year 2008 as a result of a significant increase in our power generation capacity in fiscal year 2008 to 95 MW compared to 40 MW in fiscal year 2007.

Expenditure. Raw material consumption increased 18.7% to Rs.15,956.1 million for fiscal year 2008 from Rs.13,440.9 million for fiscal year 2007, mainly due to higher sugarcane prices. Employee costs were Rs.1,482.9 million for fiscal year 2008 compared to Rs.1,423.3 million for fiscal year 2007, an increase of 4.2%, which was mainly the result of additional employees associated with the new plants we began operating in fiscal year 2008. Other expenses increased to Rs.4,088.2 million for fiscal year 2008 from Rs.2,424.9 million for fiscal year 2007 mainly due to foreign exchange losses resulting from the devaluation of the rupee against the dollar.

EBITDA. Our EBITDA was Rs.1,938.4 million during fiscal year 2008 compared to Rs.2,231.3 million for fiscal year 2007, which was mainly due to increases in sugarcane prices and foreign exchange losses.

Depreciation. Depreciation was Rs.2,798.7 million during fiscal year 2008 compared to Rs.1,610.9 million for fiscal year 2007. This increase was mainly due to the depreciation of new sugar, distillery and co-generation plants.

Interest. Interest was Rs.2,071.3 million during fiscal year 2008 compared to Rs.915.0 million for fiscal year 2007. The increase in interest expense was mainly due to loans affected by a higher prime lending rate and our greater working capital requirement for the purchase of sugarcane.

Tax. We had a net tax credit of Rs.980.3 million in fiscal year 2008 compared to a credit of Rs.200.9 million in fiscal year 2007 mainly due to an increase in our net deferred tax credit to Rs.1,004.2 million in fiscal year 2008 compared to Rs.216.9 million in fiscal year 2007.

Net Profit/Loss. Our net loss was Rs.1,951.3 million during fiscal year 2008 compared to a net loss of Rs.93.7 million during fiscal year 2007, an increase of Rs.1,857.6 million. The increase in our net loss was due to the reasons described above.

Year Ended September 30, 2007 Compared to Year Ended September 30, 2006

National sugar production increased in the 2006-2007 crushing season to 28.3 MMT from 19.3 MMT in the 2005-2006 crushing season. This increase in national sugar production was a response to relatively low sugar supplies during the 2004-2005 and 2005-2006 crushing seasons which led to an increase in domestic prices for sugar and Government incentives to encourage sugar industry participants to increase their production capacities. Our production increased to 1.3 MMT in fiscal year 2007 compared to 0.7 MMT in fiscal year 2006.

Revenue. Our revenue increased 22.3% to Rs.19,137.0 million in fiscal year 2007 from Rs.15,648.8 million in fiscal year 2006. The increase in revenue was primarily associated with an increase in the amount of sugar and industrial alcohol we sold due to an increase in our capacity to produce both of these products. Sales of sugar, alcohol and power accounted for approximately 84.3%, 10.3% and 0.1%, respectively, of our total revenue in fiscal year 2007.

Revenue from sales of sugar increased 18.3% to Rs.16,139.8 million in fiscal year 2007 from Rs.13,637.0 million in fiscal year 2006 mainly due an increase in the volume of sugar we sold in fiscal year 2007 to 1.1 MMT from 0.7 MMT in fiscal year 2006. The contribution to revenue from the increase in sales volume was partially offset by a decrease in average sugar prices to Rs.14,500 million per metric ton in fiscal year 2007 from Rs.18,378 million per metric ton in fiscal year 2006. We were able to increase the amount of sugar we sold due to the addition of additional sugar mills which increased our installed crushing capacity.

Revenue from the sale of industrial alcohol increased 35.2% to Rs.1,977.5 million in fiscal year 2007 from Rs.1,462.4 million in fiscal year 2006 due to increases in sales volume and price. Our alcohol sales volume increased from 67,480 KL to 88,680 KL and our average selling price increased to Rs.22,299 per KL from Rs.21,672 per KL for fiscal years 2006 and 2007, respectively. We were able to increase our production of alcohol because we added three additional distilleries in fiscal year 2007 which more than doubled our installed capacity to 800 KL per day, including the 60 KL capacity per day of a distillery that we leased to a third party in May 2006, in fiscal year 2007 from 320 KL per day in fiscal year 2006.

In 2007, we entered into power purchase agreements with the Uttar Pradesh State grid through its distribution companies and our revenue was Rs.22.6 million from the sale of power to the grid. We had no power sales prior to 2007.

Expenditure. Raw materials consumed was Rs.13,440.9 million for fiscal year 2007, an increase of 41.2% from Rs.9,517.5 million for fiscal year 2006, mainly due to the increase in sugarcane crushing as a result of the establishment of new sugar mills. Employee costs were Rs.1,423.3 million for fiscal year 2007 compared to Rs.584.9 million for fiscal year 2006, an increase of 143.3% on account of the hiring of more employees for the additional sugar mills during fiscal year 2007. Other expenses were Rs.2,424.9 million for fiscal year 2007 compared to Rs.1,363.7 million for fiscal year 2006 mainly due to expenses in relation to the establishment of new mills in that fiscal year.

EBITDA. Our EBITDA was Rs.2,231.3 million during fiscal year 2007 compared to Rs.3,532.3 million for fiscal year 2006. The decrease resulted from the increase in expenses associated with our sugar mill and distillery expansions.

Depreciation. Depreciation was Rs.1,610.9 million during fiscal year 2007 compared to Rs.759.4 million for fiscal year 2006, which was mainly due to the depreciation of new sugar mills and distilleries.

Interest. Interest was Rs.915.0 million during fiscal year 2007 compared to Rs.33.4 million for fiscal year 2006. The increase in interest expense was mainly due to additional borrowings to set up new sugar mills and distilleries, as well as the increased working capital requirements.

Tax. Our net tax credit for fiscal year 2007 was Rs.200.9 million compared to a tax provision of Rs.897.2 million in fiscal year 2006. The difference was primarily due to losses incurred in fiscal year 2007. However, our deferred tax credit for the year was higher mainly due to increased depreciation as a result of the establishment of new mills during the year.

Net Profit/Loss. Our net loss was Rs.93.7 million in fiscal year 2007 compared to a net profit of Rs.1,842.3 million in fiscal year 2006 due to the reasons described above.

Liquidity and Capital Resources

We finance our working capital requirements primarily through funds generated from operations and bank financing. Our principal sources of liquidity are cash, cash equivalents and the cash flow that we generate

from our operations. We had combined cash and cash equivalents of Rs.2,311.2 million, Rs.2,673.9 million and Rs.1,740.4 million as of September 30, 2006, 2007 and 2008, respectively, and Rs.1,441.6 million and Rs.5,861.4 million as of March 31, 2008 and 2009, respectively. The following is a summary of our combined cash flow data for the periods indicated:

	Year ended September 30,			Six months ended March 31,		
	2007	2008	2008 ⁽¹⁾	2008	2009	2009 ⁽¹⁾
	(Rs. Millions)		US\$	(Rs. Millions)		US\$
	(Audited)			(Unaudited)		
Net cash (used in)/provided by operating activities	875.7	(1,656.9)	(32.5)	2,059.9	7,849.6	154.1
Net cash (used in)/provided by investing activities.....	(19,984.2)	(2,928.3)	(57.5)	(2,970.8)	(486.6)	(9.5)
Net cash (used in)/provided by financing activities	19,471.2	3,651.7	71.7	(321.4)	(3,241.9)	(63.6)
Net (decrease)/increase in cash and cash equivalents at the end of the year	362.7	(933.6)	(18.3)	(1,232.3)	4,121.1	80.9

(1) Certain amounts in Rupees were converted to U.S. dollars using the RBI reference exchange rate of Rs.50.95 per U.S.\$1.00 as of March 31, 2009.

Net cash provided by operating activities primarily consists of net profit adjusted for certain non-cash items (including depreciation), investments, interest paid, gain/loss due to foreign exchange fluctuation and the effect of changes in working capital and other activities.

Net cash provided by operating activities in fiscal year 2007 was Rs.875.7 million and consisted of net loss before extraordinary items and tax of Rs.294.6 million and adjustments for non-cash and non-operating items of Rs.2,744.8 million. The difference between our net loss before extraordinary items and tax and net cash from operating activities primarily resulted from an increase in inventory of Rs.2,904.5 million and an increase in trade and other receivables by Rs.4,702.0 million, which partially offset an increase in trade payables of Rs.6,227.8 million.

Net cash used in operating activities in fiscal year 2008 was Rs.1,656.9 million and consisted of net loss before extraordinary items and tax of Rs.2,931.6 million and adjustments for non-cash and non-operating items of Rs.5,995.5 million. The difference between our net loss before extraordinary items and tax and net cash used in operating activities primarily resulted from an increase in inventory of Rs.3,585.4 million. Our trade and other receivables increased by Rs.1,879.9 million, which offset an increase in trade payables of Rs.991.0 million.

Net cash from operating activities in the six months ended March 31, 2009 was Rs.7,849.6 million and consisted of net loss before extraordinary items and tax of Rs.173.9 million and adjustments for non-cash and non-operating items of Rs.2,183.2 million. The difference between our net loss before extraordinary items and tax and net cash from operating activities was primarily due to an increase in inventory of Rs.5,276.7 million. Our trade and other receivables also increased by Rs.1,135.8 million, offsetting an increase in trade payables of Rs.12,213.4 million.

Net cash used in investing activities was Rs.19,984.2 million in fiscal year 2007, Rs.2,928.3 million in fiscal year 2008 and Rs.486.6 million in the first six months of fiscal year 2009. For each of these periods, cash used in investing activities primarily reflected our expenditures for the expansion and acquisition of sugar mills and distilleries.

We try to minimize finance costs by borrowing funds at lower interest rates, which in some cases involves short-term loans. Certain short-term borrowings are available at lower interest rates than the long-term loans available to us. To take advantage of these lower interest rates, we take out short-term loans to finance our current period capital expenditures and then draw down on our long-term loans to replace them as they become due at the end of the year. As a result, the net cash provided by financing activities, which is derived from our balance sheet, may not be indicative of our cash flows during that period. We also issue

short-term non-convertible debentures for our financing needs. Net cash from financing activities was Rs.19,471.2 million and Rs.3,651.7 million in fiscal years 2007 and 2008, while net cash used in financing activities amounted to Rs.3,241.9 million in the six-month period ended March 31 2009. During fiscal years 2007 and 2008 cash flow from financing activities was mainly from proceeds from our borrowing activities.

Capital Expenditures

Historical and Planned Capital Expenditures

The table below sets out our significant capital expenditures for fiscal years 2006, 2007 and 2008. We currently have no planned capital expenditures in relation to the expansion of existing mills or plants, or the establishment of additional plants.

	Historical capital expenditure for year ended September 30,		
	2006	2007	2008
Description	(Rs. Millions)		
Establishment of sugar mills	13,692.3	12,532.3	2,363.2
Establishment of distilleries	1,173.1	1,481.9	46.2
Establishment of co-generation facilities	-	1,262.4	200.4
Establishment of particle board/medium-density fibre board manufacturing plants	170.6	1,727.8	913.4
Total	15,036.0	17,004.4	3,523.2

Statement of Indebtedness and Contingent Liabilities

Borrowings

As of March 31, 2009, we had outstanding secured loans of Rs.35,690.6 million and unsecured loans and fixed deposits of Rs.7,855.8 million, none of which were subsequently capitalized. A portion of the remaining balance of such advances and the outstanding loans will be repaid from the proceeds of this Issue. Our borrowings also include foreign currency convertible bonds (“FCCBs”) due 2011 which we issued on February 6, 2006 and which are listed on the Luxembourg Stock Exchange. Under a bond repurchase program in June 2009, we completed the repurchase in principal amount of approximately US\$20.0 million of the outstanding FCCBs and approximately US\$99.6 million in principal amount remain outstanding. On May 14, 2009, we issued 14.5 million warrants to Shishir Bajaj. The warrants are convertible into shares of our Company from the period 18 months after their allotment until November 17, 2010. In addition, BHSIL has allotted FCCBs due 2014 in an aggregate amount of US\$15.0 million, the entire amount of which remains outstanding. We have no other convertible debt securities, exchangeable debt securities or debt securities with warrants attached.

Working Capital

Taking into account the net proceeds of the Issue and available banking facilities, we believe that our Company has sufficient working capital for its present requirements.

Debt Service

We service our debts primarily through cash generated from operations and we also plan to service our debts with the net proceeds from this Issue. Our interest coverage ratio (Interest/EBIDTA) for the years ended September 30, 2006, 2007 and 2008 and the six-month periods ended March 31, 2008 and 2009, 0.9%, 41.0%, 106.9%, 21.3% and 50.5%, respectively.

Gearing

Our gearing ratio as of September 30, 2006, 2007 and 2008 was 44.9%, 58.5% and 64.0% respectively, and as of March 31, 2008 and 2009 was 47.3% and 53.6%, respectively. For these purposes, the gearing ratio represents total debt over total assets; however, current liabilities have been excluded from total debt at each of the relevant balance sheet dates.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations as of March 31, 2009 and the effect such obligations and commitments are expected to have on our liquidity and cash flows in future periods. We have no capital lease obligations or operating leases and we own all of our plants, properties and equipment.

Contractual Obligations	As of March 31, 2009	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
(Rs. millions)					
Long-Term Debt	32,190.0	3,540.0	20,150.0	6,530.0	1,970.0
Purchase Obligations.....	503.5	503.5	-	-	-

Contingent liabilities

The table below sets out material contingent liabilities that have not been provided for as of March 31, 2009.

Nature of Contingent Liability	(Rs. millions)	(US\$ millions)
Pending disputes relating to Government excise duty matters.....	323.5	6.4
Pending disputes relating to income tax and sales tax matters.....	7.2	0.1
Other claims ⁽¹⁾	387.4	7.6

(1) These claims primarily relate to disputes with former employees and commercial disputes, among others.

Loan Covenant Breaches

Certain of our loan agreements include covenants that require us to maintain financial ratios for the respective durations of the agreements. As of March 31, 2009, the aggregate amount due under these loans was Rs.9,907.3 million. We have failed to maintain these financial ratios in the past, and may not be able to maintain these financial ratios in the future. We have requested waivers from the relevant lenders for our non-compliance, but as of the date of this Preliminary Placement Document, none of these lenders have granted such waivers and there can be no assurance that any of these lenders will grant such waivers in the future. As a result, the lenders under each of these respective loan agreements may, at their discretion, accelerate payment and declare the entire outstanding amounts under the respective loan due and payable, and in certain instances, enforce their security constituted over our various assets and take possession of those assets. In addition, to the extent that we cannot make payments on accelerated amounts, such non-payment could result in the cross-default and/or cross-acceleration of some or all of our outstanding indebtedness, and payment of penalty interest. See “Risk Factors —Certain Factors Relating to our Debt — We are not in compliance with certain financial and other covenants in a number of our loan agreements, which could result in the acceleration of the payment obligations on some or all of our outstanding indebtedness” and notes 1 to 8 on page F-7 of our audited consolidated financial statements for the year ended September 30, 2008 and on page F-29 of our unaudited consolidated financial statements for the six months ended March 31, 2009 in “Financial Statements”.

Moreover, we are in violation of covenants under certain of other loan agreements which require us to constitute securities over certain of our assets within a stipulated period of time. We have not complied with these covenants in the periods stipulated in the respective agreements, and the delay in constitution of these securities would allow our respective lenders to, at their discretion, accelerate payment and declare

the entire outstanding amount under these agreements due and payable. In addition, to the extent that we cannot make payment on any accelerated amounts, such non-payment could result in the cross-default and/or cross-acceleration of some or all of our other outstanding indebtedness, and payment of penalty interest. See “Risk Factors— Certain Factors Relating to our Debt— We are not in compliance with certain financial and other covenants in a number of our loan agreements, which could result in the acceleration of the payment obligations on some or all of our outstanding indebtedness” and notes 1 to 8 on page F-7 of our audited consolidated financial statements for the year ended September 30, 2008 and on page F-29 of our unaudited consolidated financial statements for the six months ended March 31, 2009 in “Financial Statements”.

Possible Consequences of Breaches of Loan Covenants

As a result of the matters described above, we are in default under certain of our loans for failure to maintain stipulated financial ratios and constitute securities over our assets within the stipulated period of time. Any of these defaults would allow the respective lenders, at their discretion, to accelerate payment and declare the entire outstanding amounts under their respective loans due and payable, and in certain instances, enforce their security constituted over our various assets and take possession of those assets. To the extent that we cannot make payments on accelerated amounts, such non-payment could result in cross-defaults and/or cross-acceleration under our outstanding indebtedness, and payment of penalty interest. As of the date of this Preliminary Placement Document, none of our lenders have accelerated payment of any of our loans; however, such lenders may exercise these rights under our loan agreements at any time unless they have issued the relevant consent or waiver, as the case may be. Any of the foregoing events would have a material effect on our liquidity, and could also have a material adverse effect on our business, financial condition and results of operations.

Quantitative and Qualitative Disclosures about Market Risk

Risk Management

We consider market risk to be the potential loss arising from adverse changes in market rates and prices of our end-products, namely sugar and industrial alcohol. We are exposed to a number of market risks arising from our normal business activities. Such market risks principally involve the possibility that changes in commodity prices, interest rates or exchange rates will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. We periodically review our exposure to market risks and determine at the senior management level how to manage and reduce the impact of these risks. We use derivative financial instruments solely for the purpose of managing fluctuations in foreign exchange. The counterparties to these contractual arrangements are primarily major financial institutions and banks in the case of foreign exchange derivative instruments. As a result, we do not believe that we are subject to any material credit risk arising from these contracts, and accordingly, we do not anticipate any material credit related losses. We do not enter into derivative or other hedging instruments for speculative purposes.

Commodities Risk

We are exposed to fluctuations in the price and availability of the sugarcane we require for the production of our sugar and industrial alcohol products. The availability of agricultural commodities fluctuates widely due to unpredictable factors such as weather, level of crop plantings, government agricultural programs and policies, changes in global demand resulting from population growth and migration, changes in standards of living and global production of similar, competitive products. Our sugarcane prices are controlled by the State government of Uttar Pradesh and have generally increased every year while sugar prices may not follow a similar upward trend. We do not have any hedging mechanism linked to sugar futures to mitigate lower selling prices of our end-products. Fluctuations in the price and availability of sugarcane required for our production could have a significant effect on our results of operations.

Interest Rate Risk

We have fixed and floating rate indebtedness, so we are exposed to market risk as a result of changes in interest rates. Of our consolidated debt, Rs.30,630.2 million (US\$601.2 million), or 70.3%, consists of variable rate debt obligations with original maturities ranging from approximately nine months to five years. We undertake debt obligations to support general corporate purposes including capital expenditures and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and interest cost of outstanding variable rate borrowings. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk.

Foreign Currency Exchange Rate Risk

We are exposed to market risk related to exchange movements between the Indian rupee and foreign currencies such as the U.S. dollar and Japanese yen. As of March 31, 2009, US\$362.4 million (Rs.18,462.5 million), or 42.4% of our debt (including our outstanding FCCBs and ECB loan), was denominated in foreign currencies. We have provided for all repayments to be made on our foreign currency-denominated loans up to December 31, 2009 with foreign exchange rate hedge transactions. Therefore, we are currently exposed to market risk relating to exchange movements between these foreign currencies and the Indian rupees subsequent to such date.

INDUSTRY

The information in this section is derived from various Government publications and other industry sources such as the Hand book of Sugar Statistics by Indian Sugar Mills Association October 2008, the Sugar India Year Book 2009, the F.O. Licht Report 2008 and other publicly available information. The information has not been prepared or independently verified by the Company or the Joint Global Coordinators and Joint Bookrunners or any of their respective affiliates or advisors. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.

The Global Sugar Industry

Sugar is produced in more than 100 countries across the world. It is extracted from two raw materials, sugarcane and sugar beet. Approximately 78% of sugar produced in the world is produced from sugarcane with sugar beet accounting for the rest.

Production

Brazil is the world leader in sugar production and accounted for about 19.0% of the global sugar production in the 2007-2008 Sugar Season. The other leading producers are India, the European Union, China, Thailand, Australia and the United States.

World sugar production for the 2007-2008 Sugar Season was at 167.8 MMT, which was almost equal to previous Sugar Season and about 4.2 MMT higher than the sugar demand of 163.6 MMT.

The following table gives the world sugar balance for the 2002-2003 to the 2008-2009 Sugar Seasons:

<i>(million tonnes)</i>	SY 02	SY 03	SY 04	SY 05	SY 06	SY 07	SY 08	SY 09E
Opening Stocks (A)	58.9	58.7	68.1	67.1	61.3	64.3	73.8	78.0
Production (B)	138.3	150.4	143.7	141.2	151.4	167.4	167.8	161.2
Total Availability (A+B)	197.2	209.1	211.8	208.3	212.7	231.7	241.6	239.2
* Consumption	138.5	141.0	144.7	147.0	148.4	157.9	163.6	163.3
Closing stocks	58.7	68.1	67.1	61.3	64.3	73.8	78.0	75.9
Closing stock-Month	5.1	5.8	5.6	5.0	5.2	5.6	5.7	5.6
Inventory (% of consumption)	43.6	48.8	47.5	42.6	44.0	48.2	49.2	46.9

Source: F.O. Licht Report, 2008

* Consumption is derived by adding Exports and deducting Imports from Disappearance.

Consumption

World sugar consumption for the 2007-2008 Sugar Season was at 163.6 MMT. India accounted for 13.8% of the total sugar consumed in the 2007-2008 Sugar Season, making it the largest sugar consumer in the world, followed by the European Union, China, Brazil, the United States, Russia and Mexico.

Sugar Pricing

The export trade in the world sugar market is dominated by Brazil, Thailand and Australia. Although international sugar prices should provide a reliable indicator of prices and trends in the sugar market, the global market is subject to a certain level of distortion due to the trade policies adopted by certain nations.

The Indian Sugar Industry

India is the largest consumer and second largest producer of sugar in the world. The Indian sugar industry is one of the key drivers of rural development, supporting India's economic growth. The industry directly employs approximately 500,000 workmen, as well as many others in industries which utilize by-products of the sugar production process as raw material. Sugarcane is primarily grown in six states of India, namely, Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Uttar Pradesh and Tamil Nadu.

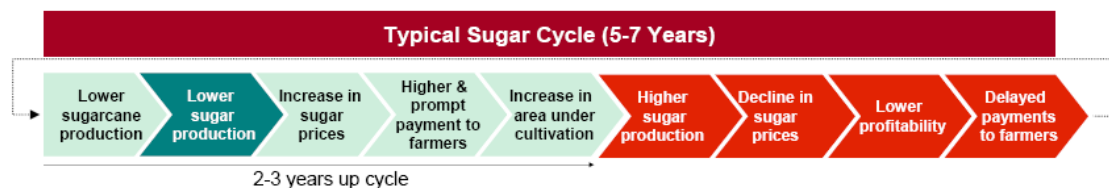
The sugar industry in India is highly fragmented. During 2007-2008 there were 619 installed sugar factories in the country out of which 240 were in the private sector, 62 in the public sector and 317 in the cooperative sector. Also, there are a number of companies in the unorganized segment who mainly produce jaggery and khandsari, which are less refined forms of sugar and act as substitutes.

The sugar industry has a number of transformational opportunities. In addition to the potential to cater to the large and growing domestic sugar consumption, the industry can emerge as a carbon credit and power producer through co-generation. It is also in a position to support the ethanol blending programme of E5 (blending petrol with 5% ethanol).

Sugar Cycle

Sugarcane and sugar production in India typically follow a cyclical pattern which lasts for five to seven years. The cycle typically involves a period of low sugar production which leads to higher sugar prices and improved profitability for sugar manufacturers who in turn are able to promptly pay sugarcane farmers. Prompt payments to farmers provide an incentive for these farmers to grow sugarcane, which consequently leads to higher sugarcane output, higher sugar production and lower prices of sugar. As a result of low sugar prices, sugar manufacturers become less profitable and many incur losses which may lead to a delay in payments to farmers. In these situations, sugarcane growers are prompted to grow other crops rather than sugarcane or divert sugarcane to jaggery and khandsari producers. A decrease in sugarcane cultivation by farmers results in lower sugar output for sugar manufacturers and rising sugar prices with the cycle repeating periodically. Currently, India is at the stage where the sugar cycle is expected to take an upturn from the 2008-2009 Sugar Season.

The typical sugar cycle is depicted below:



The sugar industry is also seasonal in nature; where production normally commences in October and depending upon the availability of sugarcane, continues until April or May. However, sugar sales take place throughout the year, which means that from May to October, sugar is sold from inventories.

Sugar Production and Consumption Trends

Production

Sugarcane is the primary raw material from which sugar is manufactured in India and hence sugar mills are set up in cane growing states such as Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh and Gujarat. A key determining factor in the amount of sugar produced is the availability of quality sugarcane within a sugar company's reserved area. Factors that affect availability of sugarcane include the following:

- **Area under cultivation:** The area under cultivation determines the amount of sugarcane that can be produced.
- **Crop switching:** Crop switching refers to a change of the crop cultivated year on year. Various factors that determine the type of crop cultivated include the characteristics of the crop, nutrients required, demand, pricing and timeliness of payment for certain crops compared to others.
- **Climate:** Sugarcane is a tropical crop and requires adequate rainfall and sunshine. In addition, monsoons can affect crop production and yields.
- **Crop diseases:** Crop output may be significantly affected due to crop diseases.
- **Sugarcane yield:** Sugarcane yield refers to the tonnage of sugarcane output per hectare of land. The sugarcane yield depends on climate, soil, type of sugarcane and developmental measures undertaken by sugarcane producers, agencies and sugarcane buyers.
- **Sugar recovery:** Sugar recovery refers to the amount of sugar recovered during the crushing process. Sugar recovery is one of the critical factors that determine the operational efficiency of a sugar manufacturer.
- **Diversion to other products:** The diversion of sugarcane to production of other products such as jaggery and khandsari, which are forms of crude sugar used as alternate sweeteners, affects the amount of sugarcane available for sugar production.

The total production of sugar in India in the 2002-2003 Sugar Season was 20.1 MMT. Sugar production declined to 14 MMT in the 2003-2004 Sugar Season and continued to decline further to 12.7 MMT in the 2004-2005 Sugar Season. The 2006-2007 Sugar Season saw the highest ever sugar production in India of 28.3 MMT followed by a production of 26.3 MMT in the 2007-2008 Sugar Season.

The following table gives the details of production and consumption of sugar in India from the 2001-2002 to 2007-2008 Sugar Seasons:

<i>(million tonnes)</i>	SY 02	SY 03	SY 04	SY 05	SY 06	SY 07	SY 08P
Opening Stock (A)	10.7	11.3	11.6	8.5	4.0 *	3.6	9.2
Production (B)	18.5	20.1	14.0	12.7	19.3	28.3	26.3
Total Availability (A+B)	29.2	31.5	25.6	21.2	23.3	32.0	35.6
Demand – Total	17.9	19.9	17.5	18.5	19.6	22.7	27.5
- Domestic	16.8	18.4	17.3	18.5	18.5	21.0	22.5
- Export	1.1	1.5	0.2	0.0	1.1	1.7	5.0
Imports	0.0	0.0	0.4	2.1	0.0	0.0	0.0
Closing stock	11.3	11.6	8.5	4.8	3.6	9.2	8.1
Closing stock-Month	7.6	7.0	5.8	3.1	2.2	4.9	3.5
Stock -to- use Ratio (%)	63.3	58.4	48.5	26.1	18.5	40.6	29.5

Source: Indian Sugar Mills Association (ISMA) – October 2008, Company estimates

* Adjustment made as per Central Excise Certificate

Consumption

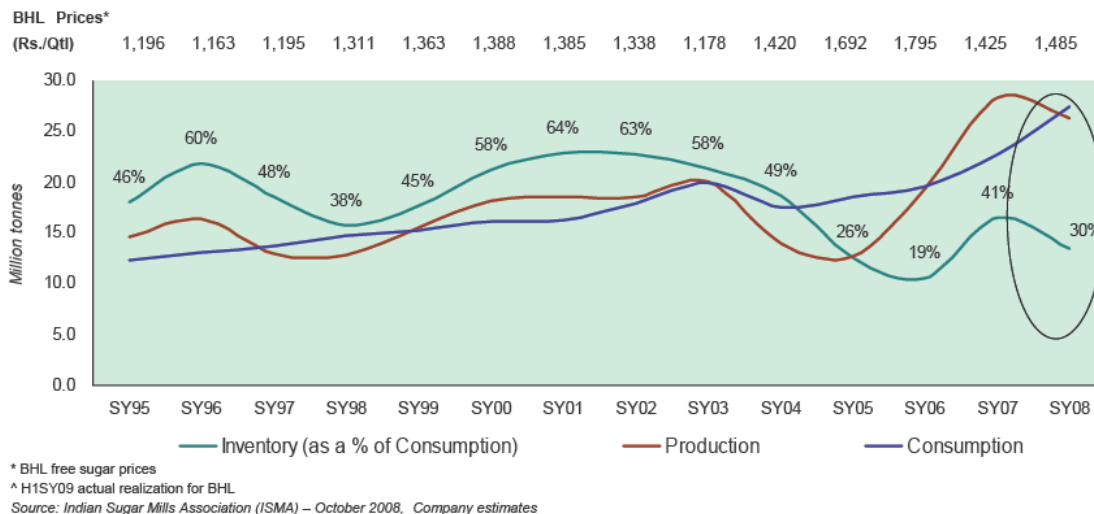
Sugar is a basic commodity; hence, the demand for sugar rises with an increase in population. Per capita income is another important factor that influences the demand for sugar. Upward movement in per capita income increases the demand for sugar from user industries such as soft drinks, confectioneries, etc. A shift in consumer preference for sugar vis-à-vis alternative sweeteners (jaggery and khandsari) is also linked to per capita income.

During 2001-2002 to 2007-2008 Sugar Seasons, domestic sugar consumption increased from 16.8 MMT to 22.5 MMT registering a CAGR of 4.85%.

Sugar Prices

The Government has been following a dual pricing policy for sugar, under which a fixed percentage (currently 10%) of total production is to be sold by sugar companies to the Public Distribution System (“PDS”) set up by the Government at a fixed price referred to as levy sugar. This price is fixed with respect to each mill and varies from mill to mill. The balance sugar, called free sale sugar, can be sold in the open market.

The price of free sale sugar during the year depends on the demand supply situation. The movement in sugar price is determined by the net deficit or surplus in sugar (production plus import less domestic consumption less export) and stock-to-use ratio. The following graph gives the correlation of stock to use ratio with the sugar prices:



Sugarcane procurement and prices

India has a unique structure with respect to procurement of sugarcane. Every sugar mill is assigned a reserved area around the mill within which any sugarcane that is grown is required to be supplied to the mill, and the mill is obligated by law to crush the sugarcane available to it within the reserved area. The reserved area may change if a mill is unable to crush all of the cane within its reserved area and a portion of the reserved area may be allocated to a mill that is able to crush the sugarcane.

On an average, sugarcane cost constitutes approximately 70% of the total cost of producing sugar. The SMP set by the Central Government controls the sugarcane procurement price for sugar manufacturers. The SMP notifications are generally released at the beginning of each Sugar Season. For the 2008-2009 Sugar Season, the Government set the SMP of Rs.81.18 per quintal for a base recovery of 9% subject to a premium of Rs.0.90 for every 0.1% point increase in the recovery above that level. For the 2009-2010 Sugar Season, the Cabinet Committee on Economic Affairs has approved the SMP of Rs.107.76 per quintal of sugarcane for a base recovery rate of 9.5% subject to a premium of Rs.1.13 for every 0.1% point increase in the recovery above that level. Sugarcane prices tend to be higher for a sugarcane variety that has a higher sugar recovery. Most State Governments in north India fix the SAP to provide additional incentives to the farmers.

Sugar Outlook

The 2008-2009 Sugar Season is expected to be the first year of upturn in the sugar cycle, after two years (2006-2007 and 2007-2008 Sugar Seasons) of surplus production and rising sugar inventories.

Sugar production in the 2008-2009 Sugar Season is expected to fall in the range of 14 MMT to 15 MMT as against 26.3 MMT in the 2007-2008 Sugar Season. This is on account of a decline in the area under sugarcane cultivation caused due to sugarcane arrears and higher prices for alternative crops which led to farmers switching to other alternative crops and lower recovery on account of agro-climatic conditions.

Lower than expected production in the 2007-2008 Sugar Season, an expected further fall in production in the 2008-2009 Sugar Season coupled with steady growth in domestic demand will lead to depletion in domestic sugar inventories. These factors are also expected to result in India's raw sugar imports totalling approximately 2.5 million tons during the 2008-2009 Sugar Season. Inventory levels are expected to decline further in the 2009-2010 Sugar Season, leading to an improvement in sugar selling prices.

Domestic sugar prices (Mumbai M-30) which fell continuously for a 12 month period, from Rs.19,060 per metric ton in April 2006 to Rs.13,600 per metric ton in April 2007, and thereafter remained depressed until

the end of 2007, moved up to Rs.14550 per metric ton in April 2008. The current prices (May 2009) are at 23,000 levels per ton and are expected to increase further which will improve the profitability of sugar mills.

By-products opportunity

The main by-products in the production of sugar are molasses, bagasse, press mud and fly ash. Effective utilization of these by-products can de-risk the revenue stream of a sugar company and make it less cyclical.

Bagasse

Bagasse can be used for co-generation to meet the electricity and steam requirements of sugar mills. Bagasse is burnt in a large furnace, which releases substantial amounts of heat for boiling water and generating high pressure steam. The steam is used to drive a turbine, which generates electricity. The residual low pressure steam is used in the sugar making process. The power produced by co-generation is used for captive consumption and excess power is sold to the State utilities distribution companies. The realization from exportable power is dependent on the long-term power purchase agreements with the Government and power companies. Co-generation also has proven revenue potential in Clean Development Mechanism (“CDM”) based carbon credits. However, the potential for bagasse based co-generation of power is yet to be fully realized. According to ISMA, sugar units have currently set up a capacity to produce 2,635 MW of co-generated power and the potential to co-generate power by the sugar industry has been assessed to be much higher going forward. In addition, bagasse is also used for production of paper and particle boards.

Particle Board and Medium-Density Fibre Board

Bagasse is also used to produce particle board and medium-density fibre board, which are environmentally-friendly substitutes for plywood. Although particle board and medium-density fibre board have been produced in India for some time, these products were previously exclusively made by manufacturing plants which used wood as raw material. The production in India of particle board and medium-density fibre board from agricultural wastes such as bagasse using advanced manufacturing technologies only began in recent years.

Molasses

Molasses is extensively used for the manufacture of ethanol. These molasses are fermented with yeast to get ethyl alcohol or ethanol. The mixture is then distilled to separate the alcohol from the mixture. Normally for every 1 ton of sugar produced, around 0.45 tons of molasses is generated as a by-product. One ton of molasses can produce around 225 litres of ethanol.

Ethanol is 99.5% pure alcohol and is used as feedstock for alcohol-based downstream chemicals like paints, inks and to manufacture potable alcohol. Ethanol is also becoming popular across the world as a fuel. Ethanol is used as an additive in petrol to lessen vehicular pollution as it contains 35% oxygen, which helps complete combustion of fuel thus reducing harmful tailpipe emissions.

With a view to providing an incentive to the agricultural sector and reduce environmental pollution, the Government mandated 5% blending of ethanol with petrol across India except for certain states. Additionally, 10% blending was proposed to come into force in October 2008, however such increase has not been made effective. The contracts with Indian oil companies are expiring in October 2009. However, the Government is likely to further extend the contract for the next two years beginning October 2009. Globally, Brazil is the leading country in terms of ethanol blending which is mandated at approximately 20%.

BUSINESS

Overview

We believe we are one of the largest sugar and industrial alcohol manufacturing companies in India in terms of installed capacity as of September 30, 2008. We process sugarcane, the raw material used in the production of sugar and industrial alcohol. We own and operate 14 sugar mills with an aggregate sugarcane crushing capacity of 136,000 TCD. We also have plans to merge, through a Scheme of Arrangement (which remains subject to various approvals), PSPL, which has two sugar mills with a combined crushing capacity of 12,000 TCD. In addition, six of our mills have distilleries which together have a combined capacity to produce 800 KL of industrial alcohol per day, including 60 KL capacity per day of a mill that we have leased to a third party. We also have co-generation facilities which have an aggregate installed capacity of approximately 428 MW. Of this installed capacity, we have approximately 105 MW of power in excess of the amount required to operate our business. We sell this surplus power to the Uttar Pradesh State grid. Our sugar mills, distilleries and co-generation facilities are located in the north Indian state of Uttar Pradesh.

We believe we are:

- one of the largest processors of sugarcane in India, having crushed 12.0 MMT of sugarcane during fiscal year 2008 and 6.7 MMT in the first six months of fiscal year 2009 with a yield, or sugar recovery, of 9.9% and 9.1% sugar from the crushed sugarcane, respectively;
- one of the largest producers and sellers of sugar in India, having sold approximately 1.1 MMT of sugar during fiscal year 2008 and 0.4 MMT in the first six months of fiscal year 2009; and
- one of the largest producers and sellers of industrial alcohol in India, having sold 150,129 KL and 26,879 KL of industrial alcohol during fiscal year 2008 and the first six months of fiscal year 2009, respectively.

We have integrated sugarcane processing operations which allow us to efficiently use molasses and bagasse, by-products of the sugar manufacturing process, to diversify our business. We use molasses to produce industrial alcohol (primarily ethanol) and bagasse to produce power. In addition, through our wholly-owned subsidiary, Bajaj Eco-Tec Products Limited, we have been using bagasse to manufacture environmentally-friendly particle board and medium-density fibre board for commercial sale since April 2008.

In fiscal year 2008, we had consolidated gross sales of Rs.22,176.8 million and a net loss of Rs.1,951.3 million compared to consolidated gross sales of Rs.19,137.0 million and a net loss of Rs.93.7 million in 2007. For the six months ended March 31, 2009, we had consolidated gross sales of Rs.10,068.2 million and a net loss of Rs.258.6 million compared to consolidated gross sales of Rs.9,817.7 million and net profit of Rs.457.4 million for the six months ended March 31, 2008.

Company History

We were incorporated on November 24, 1931 as The Hindusthan Sugar Mills Limited. Our first mill was located at Golagokarannath in the Lakhimpur Kheri district in the Terai region of Uttar Pradesh, India, an area rich in sugarcane. The mill started with a crushing capacity of 400 TCD. Subsequently, the crushing capacity was increased in stages to reach its present level of 13,000 TCD. We set up a distillery at Golagokarannath in 1944 which today has the capacity to produce 100 KL of industrial alcohol per day. During the first few years, our distillery's major product was power alcohol used as an additive to gasoline, which was then in short supply.

In 1967 we set up a new company, Sharda Sugar & Industries Limited, as a subsidiary of The Hindusthan Sugar Mills Limited. In 1972, we set up a mill with a sugarcane crushing capacity of 1,400 TCD at Palia

Kalan, a large sugarcane supply center approximately 70 kilometers from Golagokarannath. We located our mill in Palia Kalan primarily to take advantage of the abundant supply of sugarcane in the area and to be closer to the farmers' fields, thereby reducing our transportation costs. Subsequently, we increased our crushing capacity at Palia Kalan in stages to reach its present level of 11,000 TCD.

In 1988, The Hindusthan Sugar Mills Limited was renamed Bajaj Hindusthan Limited ("BHL") and Sharda Sugar & Industries Limited was merged with BHL in 1990.

In February 2004, we commenced operations at a new distillery at Palia Kalan with a capacity of 60 KL of industrial alcohol per day. In November 2004, we commenced operations at our sugar mill located at Kinauni with a capacity of 7,000 TCD. The capacity of this sugar mill was subsequently increased to 8,000 TCD in October 2005.

From 2005 to 2008, we continued to expand our sugar and industrial alcohol production capacities through a combination of setting up new sugar mills and distilleries, expanding the capacities at our existing ones and acquiring additional mills and distilleries from other companies as follows:

- In October 2005, we commenced operations at three new sugar mills, each having a crushing capacity of 7,000 TCD, located at Thanabhawan and Budhana in the Muzaffarnagar district and Bilai in the Bijnore district of Uttar Pradesh.
- In December 2005, we acquired a 55.0% equity interest in Pratappur Sugar and Industries Limited from its promoters and an additional 4.8% equity interest through an open offer under the Takeover Code. Pratappur Sugar and Industries Limited was subsequently renamed BHSIL in July 2006. Through BHSIL, we own four sugar mills, three of which were commissioned in fiscal year 2008, and the aggregate crushing capacity of all four sugar mills is 40,000 TCD.
- In November 2006, we commenced operations at three new sugar mills. Two of the sugar mills, with a crushing capacity of 9,000 TCD and 10,000 TCD, respectively, were set up at Gangnauli in the Saharanpur district and Khambarkhera in the Lakhimpur Kheri district of Uttar Pradesh. The third sugar mill was set up at Barkhera in the Pilibhit district of Uttar Pradesh and has a crushing capacity of 7,000 TCD.
- Between 2006 and 2007, we increased the crushing capacity of our Kinauni sugar mill from 8,000 TCD to 12,000 TCD, and we increased the respective capacities of our Thanabhawan, Bilai and Budhana sugar mills from 7,000 TCD to 9,000 TCD each.
- In December 2007, we commenced operations at a new sugar mill, located at Maqsdumpur in the Shahjahanpur district of Uttar Pradesh with a crushing capacity of 7,000 TCD.

Following the expansion of our sugar mills in recent years, our aggregate sugarcane crushing capacity is 136,000 TCD.

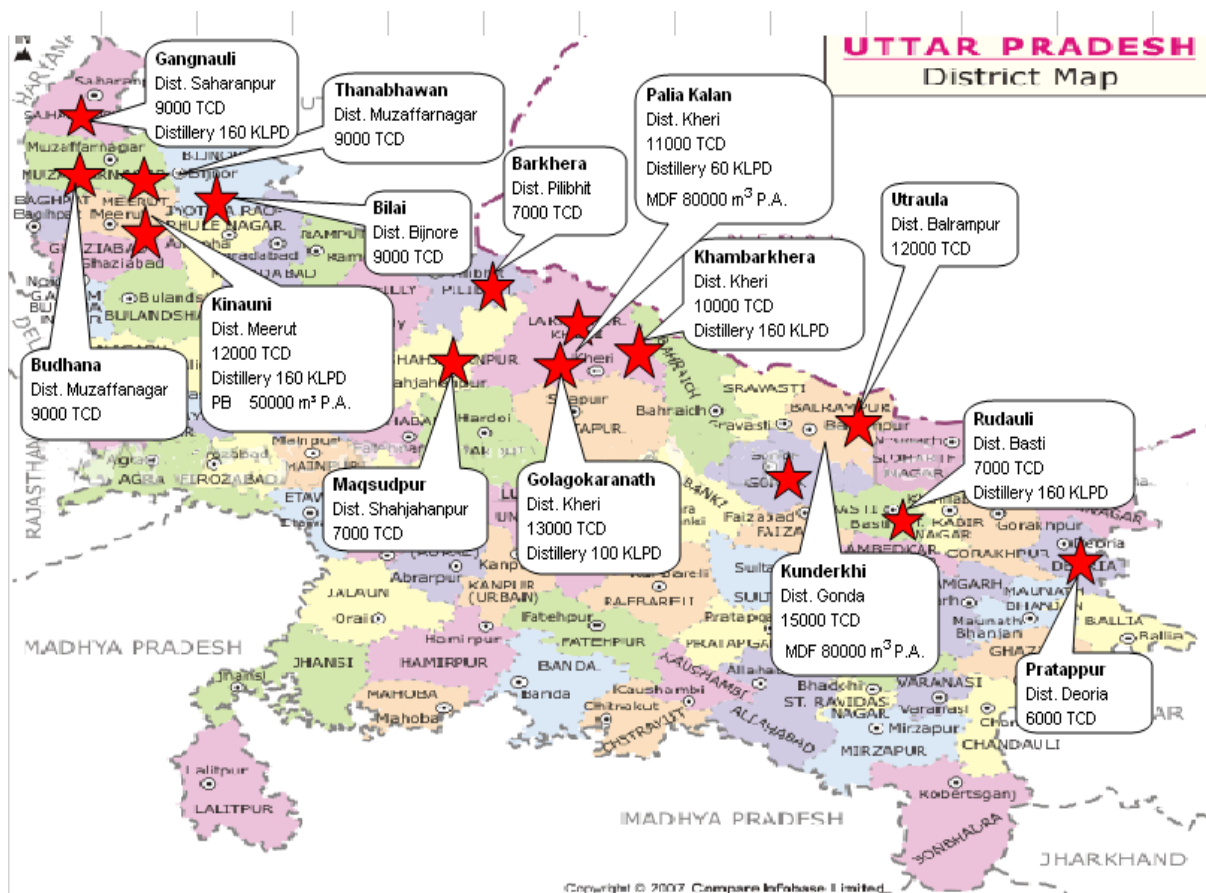
Complementing the expansion of our sugar mills, we also expanded our distilleries beginning in 2006. In 2006, we commenced operations at a distillery at our Kinauni mill with a capacity to produce 160 KL of industrial alcohol per day and subsequently commenced distillery operations at an additional three mills. This increased our total industrial alcohol production capacity to 800 KL per day, including 60 KL of capacity per day which is part of a distillery that we lease to a third party.

Beginning in 2006, we established additional co-generation facilities at eight of our sugar mills (Palia Kalan, Kinauni, Thanabhawan, Budhana, Bilai, Gangnauli, Khambarkhera and Barkhera) which have a combined capacity to export for sale approximately 90 MW of surplus power. In addition, when we acquired BHSIL, we also acquired additional co-generation facilities that have a combined generation capacity of approximately 15 MW of surplus power, bringing our installed capacity to approximately 428 MW. In 2007, we began selling excess power to the Uttar Pradesh State grid.

In April 2006, we established a wholly-owned subsidiary, Bajaj Eco-Tec Products Limited and set up three plants in Uttar Pradesh which manufacture environmentally-friendly particle boards and medium-density fibre boards from bagasse. In April 2008, commercial production at these three plants commenced.

In September 2008, we entered into a proposed Scheme of Arrangement (which remains subject to various approvals) to merge, through BHSIL, PSPL. PSPL is the holding company for two companies that each own one sugar mill, and together those mills have a combined crushing capacity of 12,000 TCD. Pursuant to the Scheme of Arrangement, certain equity shares of BHSIL would be issued to shareholders of PSPL in exchange for equity shares of PSPL. In addition, under the Scheme of Arrangement, BHSIL would assume loans we had previously extended to PSPL. Under this arrangement, we would not be required to make any additional cash payments for the amalgamation. The Scheme of Arrangement is currently pending before the Delhi High Court and is to be filed before the Bombay High Court.

The following map shows the location of our current sugar mills, distilleries and plants for the manufacture of particle boards and medium-density fibre boards.



Competitive Strengths

We believe that our primary competitive strengths include the following:

We are a leader in the sugar industry in India.

We believe we are one of the largest sugar manufacturers in India, with a sugarcane crushing capacity of 136,000 TCD. We have an operating history of over seven decades and have declared dividends in 74 out of the 77 years of our operation. All of our existing sugar mills have a crushing capacity of more than 5,000

TCD, which is generally considered to be the minimum size for sustainability according to the Government's Revitalization Report. In addition, our operations involve processes that have enabled us to achieve relatively high rates of sugar recovery from sugarcane.

Our operations are strategically located within the largest domestic market for sugar.

Our operations are located in India, the largest market for sugar in the world in terms of consumer demand for refined sugar. In particular, all of our manufacturing facilities are located in the north Indian state of Uttar Pradesh, which is one of the largest sugarcane growing areas in India. Given our location, we benefit from the following three advantages. First, our proximity to sugarcane is an important factor because expedient crushing of sugarcane within a very short time of harvest ensures a better recovery of sugar. Second, Uttar Pradesh is on the Gangetic River belt and the water table is higher than most other areas in India and is well irrigated. As a result, sugarcane growth is relatively less dependent upon the vagaries of monsoons compared to other parts of the country. Third, our northern-based location generally offers us better price realizations from sugar sales compared to southern-based mills because northern India has a higher population and higher demand for sugar.

We have strong relationships with sugarcane farmers.

We endeavour to make timely payments to sugarcane farmers and have built strong relationships and goodwill with them which is an important factor in our industry. Despite the cyclical nature of the sugar industry, we have strong ties with over 500,000 sugarcane growers. We believe that these relationships are a competitive advantage as farmers have no obligation to grow sugarcane and may from time to time switch to crops that may be more profitable. However, we believe that paying farmers on a timely basis provides an incentive for farmers to continue cultivating sugarcane.

Our sugar processing operations are efficient.

We have achieved relatively high recovery rates of sugar from sugarcane, which is the key profit driver for any sugar mill. We believe our cost of converting sugarcane into sugar is one of the lowest in the industry due to the large scale of our operations and continuous investments made in repairs, maintenance, modernization and information technology. Our information technology system, which is run through SAP's Enterprise Reporting System, assists us in achieving higher operational efficiencies. We have an electronic database which helps us to plan and manage our procurement of sugarcane from farmers and to monitor various activities, including scheduling sugarcane deliveries from farmers, payment to sugarcane farmers and developmental activities in our reserved areas. Our reserved areas cover a total of over 7,000 villages with over 500,000 farmers supplying sugarcane.

We have adopted an integrated business model to balance the cyclical effects of the sugar business.

To mitigate the effects of downward price cycles in the Indian sugar industry which typically last three to four years, we have adopted a business model that integrates the sugar manufacturing process with the production of a diverse array of products. As a result, we are able to use our existing sugar production processes to increasingly manufacture products that may be more profitable than sugar, such as industrial alcohol, particularly ethanol. Our ethanol production is intended to coincide with an increase in ethanol demand as Government regulations in certain states require a fixed percentage of ethanol to be blended in gasoline. In addition, we sell excess power that we generate from the bagasse produced by our sugar operations to the Uttar Pradesh State grid. In 2008, we also began commercial sales of particle boards and medium-density fibre boards that allow us to use the excess bagasse we produce from the sugar manufacturing process.

Our Strategy

The sugar industry in India is highly fragmented with manufacturers having limited pricing power. However, we believe that our large scale operations contribute to lower costs and economies of scale while our ongoing pursuit of a diverse product line based on an integrated business model, along with sound

financial planning, provides us with the ability to perform optimally during all phases of the sugar business cycle. The following is our strategy to achieve steady cash flows and optimal results of operations:

We plan to capitalize on future upward pricing trends in the sugar cycle based on the large crushing capacity of our sugar mills.

Since 2004, we have expanded our sugarcane crushing capacity through a combination of greenfield mills, brownfield expansions and selective acquisitions. We believe our expanded crushing capacity has enabled us to become one of the largest sugar manufacturers with a sugarcane crushing capacity of 136,000 TCD. We have increased our geographical presence in Uttar Pradesh from three locations in 2004 to 14 locations and expanded our presence to access the markets in eastern India. As a result of this expansion, we believe that our ability to produce such a high volume of sugar puts us in an advantageous position to benefit from any upward price trend in the Indian sugar cycle.

In addition, to take advantage of reduced tariffs on sugar imports and to fully capitalize on an expected increase in sugar prices over the next few years, we plan to import raw sugar in the 2009-2010 crushing season. We have already entered into agreements with third parties for these future imports.

We have been diversifying our products and increasing the production of value-added products.

We are increasingly adding value to the by-products of our sugar manufacturing process to diversify our product line, realize higher revenue from our sugar processing operations and mitigate the effects of over reliance on sugar sales, particularly during downward price trends and seasonal variations in the Indian sugar industry. Our diversified product line consists of industrial alcohol, power, particle board and medium-density fibre board.

We have increasingly been converting one of our by-products, molasses, into industrial alcohol, primarily ethanol. Ethanol is a cleaner fuel than gasoline and is increasingly being blended with it. We expect to be well-positioned to take advantage of any increased demand for ethanol in India in the future. Accordingly, we have increased our industrial alcohol capacity from 160 KL per day in fiscal year 2004 to 800 KL per day in fiscal year 2008, which includes 60 KL of capacity per day at one of our distilleries that is leased to a third party.

In addition, bagasse, another by-product of our sugar manufacturing process, is used by us as a fuel to generate steam, which is in turn used to generate the electric power required to run our operations. We burn the bagasse obtained as a by-product from our sugar manufacturing process and convert it to power using co-generation facilities that we have at several of our mills. We generate more steam than is required for our own sugar manufacturing process and we sell the excess power generated to the Uttar Pradesh State grid. These co-generation facilities have the capacity to produce, in aggregate, approximately 428 MW of power.

Our most recent business product is based on the conversion of bagasse to particle board and medium-density fibre board. We began commercial operations for this business in April 2008 after we established three manufacturing plants with an aggregate capacity to produce 210,000 cubic meters of particle board and medium-density fibre board per annum. We expect to expand production of this environmentally-friendly alternative to wood-based products.

We have positioned our business to produce a high volume of industrial alcohol to meet India's anticipated growth in ethanol demand.

Over the last four years, we have expanded the capacity of our distilleries to process molasses, another by-product of our sugar manufacturing operations, and convert it into industrial alcohol, primarily ethanol. Ethanol is a cleaner fuel than gasoline. As a result of our expansion efforts, we believe we are the largest industrial alcohol manufacturer in India. Our distilleries currently have the capacity to produce 800 KL of industrial alcohol per day, which includes 60 KL of capacity per day at one of our distilleries that is leased to a third party. Industrial alcohol production offers better realisations than molasses. Therefore, it is

advantageous for us to convert the large quantity of molasses we expect to generate into industrial alcohol rather than sell it directly. In addition, during downward price trends in the Indian sugar cycle, we are still able to sell industrial alcohol as these are less susceptible to the cyclical nature of the sugar industry. Furthermore, while India does not use ethanol on a large scale at present because ethanol blending programs are still in nascent stages, we believe that with our existing distilleries, we have the capacity to produce ethanol on a large scale in anticipation of an increase in demand following requirements by the Government that a fixed percentage of ethanol must be blended in gasoline.

We intend to reduce our debt to equity ratio through prudent financial management.

Our expansion strategy over the last several years has required us to increase our consolidated total debt to equity ratio which is 3.41:1 as of March 31, 2009. As a result, we are highly leveraged and intend to reduce this ratio through a combination of prudent management initiatives, including obtaining financing to repay certain of our debts through the proceeds from this Issue. In addition, we have no significant planned capital expenditures and we intend to use our internal cash generation from our operations to repay our debts and improve our debt to equity ratio.

Operations

Sugar

Sugar Production Process

The sugar production process involves three steps: (i) crushing, (ii) clarification and crystallization and (iii) separation. First, sugarcane is crushed to extract the sugarcane juice. Then, the juice is filtered to remove any impurities, a process known as clarification, and the juice is boiled until the sugar crystallizes, forming a syrup. These impurities are recycled into soil conditioners and fertilizers known as press mud. Finally, the syrup is spun in a centrifuge which separates the sugar crystals (also called plantation white sugar) to produce sugar and molasses. In our Kinauni mill, we have refining facilities where the plantation white sugar is further processed into refined sugar. The plantation white sugar and the refined sugar are dried, graded according to the size of the crystals and packaged at our sugar factories. We use the molasses generated from the production process to produce industrial alcohol, particularly ethanol. A small quantity of molasses is also sold directly to third parties. Another by-product of the sugar production process is bagasse, the fibrous residue, or sugarcane stalk, left over after crushing the sugarcane and extracting its juice. We use bagasse as a fuel to generate power in our mills and manufacture particle boards and medium-density fibre boards. During the crushing season, all of our power needs are satisfied from burning bagasse and we sell the excess power that we produce to the Uttar Pradesh State grid. The typical sugarcane material balance, i.e., a breakdown of the products and by-products of the sugar production process is as follows: water - 46%, bagasse - 33%, recoverable sugar - 10%, molasses - 5%, press mud - 4% and sugar losses - 2%.

We focus on controlling our sugar losses in the production process even though the actual amount of recoverable sugar is largely dependent on the quality and variety of the sugarcane grown by farmers.

Production Capacity and Output

As of March 31, 2009, our total sugarcane crushing capacity was 136,000 TCD. Sugar production capacity is dependent upon the quantity of sugarcane available for crushing and the recovery percentage of sugar from sugarcane. In India, sugar production is seasonal and commences in October and generally ceases by the end of April, by which time the sugarcane available in the reserved area is exhausted. The duration of the crushing period also determines the amount of sugar that is produced.

The following table indicates the installed crushing capacity, sugarcane crushed and the sugar production at our 14 mills for the past two years.

	Crushing Capacity (TCD)	Sugarcane Crushed and Sugar Production*							
		Sugarcane Crushed (MMT)		Average Recovery Rate (% of sugarcane crushed)		Sugar Production (MMT)		Total No. of Days in Operation	
		2007	2008	2007	2008	2007	2008	2007	2008
Golagokarannath	13,000	2.38	1.55	10.48	10.30	0.25	0.16	195	131
Palia Kalan	11,000	2.06	1.26	9.85	9.95	0.20	0.13	189	123
Kinauni	12,000	1.69	1.49	9.54	9.97	0.16	0.15	182	142
Thanabhawan	9,000	1.32	1.01	9.58	9.84	0.13	0.10	173	128
Budhana.....	9,000	1.33	1.17	9.33	10.01	0.12	0.12	175	139
Bilai	9,000	1.31	0.97	10.30	10.44	0.13	0.10	169	128
Gangnauli	9,000	0.94	0.64	9.16	9.41	0.09	0.06	166	114
Khambarkhera	10,000	1.23	0.86	9.88	9.82	0.12	0.08	186	107
Barkhera	7,000	1.12	0.68	9.32	9.76	0.10	0.07	189	108
Maqsudpur	7,000	-	0.41	-	9.86	-	0.04	-	92
Pratappur	6,000	0.56	0.42	8.69	9.90	0.05	0.04	152	109
Kundarkhi.....	15,000	-	0.90	-	9.85	-	0.09	-	122
Utraula	12,000	-	0.28	-	10.04	-	0.03	-	63
Rudauli	7,000	-	0.40	-	9.12	-	0.04	-	107
TOTAL.....	136,000	13.94	12.04	-	-	1.35	1.21	-	-

* Includes 0.08 MMT sugarcane crushed and 0.07 MMT sugar produced during trial run in fiscal year 2008 and 0.77 MMT sugarcane crushed and 0.06 MMT sugar produced during trial run in fiscal year 2007.

The following table sets out a comparison of the average recovery rates for sugar by State in the 2007-2008 crushing season.

REGION	Punjab	Haryana	Uttar Pradesh	North Bihar	Maharashtra	Karnataka	Andhra Pradesh	Tamil Nadu	BHL
Average recovery rate (% of sugarcane crushed)	9.3	9.9	9.8	9.2	11.6	10.9	10.1	9.3	9.9
Length of crushing season	136	150	120	93	164	180	127	210	120

Source: ISMA Handbook of Sugar Statistics, October 2008; Company data.

All of the sugarcane that we crush is used to produce sugar. We produce ethanol from the molasses, as well as power and particle boards from bagasse, each of which is obtained as a by-product of our sugar manufacturing process.

Products

We produce plantation white sugar at all our existing mills with the exception of Kinauni where we produce only refined sugar. Refined sugar undergoes further processing than plantation white sugar and commands a higher price. In addition, refined sugar is preferred in international sugar markets.

Customers

We sell to a wide range of customers in India. We primarily sell sugar in the wholesale domestic market through a network of several agents. We also sell refined sugar directly to end-customers without the use of agents. Our customers in India include wholesalers and retailers as well as food and beverage companies. No one customer accounts for more than 5% of our total sugar sales.

Sales and Distribution

In fiscal year 2008, our consolidated gross sales (including excise duty) from sugar were Rs.17,486.3 million, or 78.8 % of our total gross sales, compared to gross sales of Rs.16,139.9 million in fiscal year 2007, or 84.3% of our total gross sales in that year. In the six months ended March 31, 2009, our gross sales from sugar were Rs.8,558.0 million, or 85% of our total gross sales in that period.

Our major sales are in the domestic market through a network of agents. Our exports are minimal. The following table indicates our sales of sugar by State as a percentage of total sales.

REGION	Year ended September 30,		
	2006	2007	2008
Uttar Pradesh	20.6%	25.3%	29.5%
West Bengal	20.7%	15.5%	16.6%
Punjab	7.2%	13.9%	7.5%
Delhi	19.9%	13.0%	13.8%
Assam	5.5%	2.2%	0.9%
Madhya Pradesh	3.5%	0.8%	1.0%
Bihar	2.6%	6.2%	12.4%
Jharkhand	3.4%	2.6%	2.1%
Haryana	10.3%	10.2%	9.8%
Others	6.2%	10.2%	6.4%

We sell nearly all of our sugar in the wholesale market through selling agents. Our agents primarily procure purchase orders in the wholesale market, and we invoice purchasers directly. To mitigate the risk of non-payment, we generally dispatch orders only after we receive payment although we extend credit in limited circumstances. We do not have written contractual agreements with our selling agents and they do not sell our sugar exclusively. We pay our selling agents a commission based on each metric ton of plantation white sugar they sell.

Levy Sugar

Pursuant to sugar levy requirements imposed by the Government, we are currently required to sell 10% of the sugar we produce to the Government at a pre-determined price, known as a levy price. Levy prices are declared by season and by region and are based on the mode of transport. Levy prices fixed by the Government in respect of our mills for the last three seasons are set forth in the table below:

Transport Mode	Ex-Factory Levy Prices					
	Golagokarannath Mill Crushing Season			Palia Kalan Mill Crushing Season		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
	(Rs./metric ton)*					
Road.....	13,834	13,834	13,834	13,834	13,834	13,834

Ex-Factory Levy Prices						
Golagokarannath Mill Crushing Season			Palia Kalan Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
(Rs./metric ton)*						
Rail.....	13,850	13,850	13,850	13,850	13,850	13,850
Khambarkhera Mill Crushing Season			Barkhera Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Road.....	-	13,834	13,834	-	13,307	13,307
Rail.....	-	13,850	13,850	-	13,323	13,323
Bilai Mill Crushing Season			Thanabhawan Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Road.....	13,307	13,307	13,307	12,759	12,759	12,759
Rail.....	13,323	13,323	13,323	12,775	12,775	12,775
Gangnauli Mill Crushing Season			Budhana Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Road.....	-	12,759	12,759	12,759	12,759	12,759
Rail.....	-	12,775	12,775	12,775	12,775	12,775
Maqsdpur Mill Crushing Season			Kinauni Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Road.....	-	-	13,307	12,759	12,759	12,759
Rail.....	-	-	13,323	12,775	12,775	12,775

Ex-Factory Levy Prices						
Pratappur Mill Crushing Season			Kundarkhi Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
(Rs./metric ton)*						
Road.....	13,834	13,834	13,834	-	-	13,834
Rail.....	13,850	13,850	13,850	-	-	13,850
Utraula Mill Crushing Season			Rudauli Mill Crushing Season			
Transport Mode	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Road.....	-	-	13,834	-	-	13,834
Rail.....	-	-	13,850	-	-	13,850

* Ex-factory prices, exclusive of excise duty.

(-) These plants had not yet commenced operations.

Free Sale Sugar

Prices of free sale sugar vary across the country. Although sugar sold in the open market is not subject to a levy, the Government continues to regulate sales through a release mechanism. Through the release mechanism, the Government determines the amount of sugar that we can sell every month. We primarily sell our sugar in the north Indian States where prices are higher than elsewhere in India. Customers arrange to pick up their sugar orders from our mills or our storage facilities. However, if a customer requires us to arrange delivery, any distribution cost for delivery is borne by the customers at cost. Similarly, sugar collected from our storage facilities has a higher price, based on the cost of delivery from our mills to the relevant facilities. Our average gross selling price (exclusive of excise duty) was Rs.18,151, Rs.13,616, Rs.15,633 and Rs.19,333 per metric ton for fiscal years 2006, 2007, 2008 and the first six months of fiscal year 2009, respectively.

Industrial Alcohol

Industrial Alcohol Production Process

We produce rectified spirit and ethanol from molasses through fermentation and distillation. First, we convert the molasses into fermented wine by diluting the molasses with water and then adding yeast to encourage fermentation. After the fermentation process, the yeasted wine is centrifuged to separate the yeast from the liquid. We then boil the wine at different temperatures in a vacuum, which causes the alcohol to separate from the other liquids. After a number of distillation stages, the concentration of alcohol rises to 95% by volume to produce rectified spirit. To produce ethanol, the 5% water content in rectified spirit is removed through a molecular sieve. The ethanol obtained contains 99.7%-99.8% alcohol by volume.

Production Capacity and Output

Our industrial alcohol production capacity is 800 KL of industrial alcohol per day (including a capacity of 60 KL of capacity per day at a distillery that we lease to a third party), which we believe makes us the largest industrial alcohol producer in India. We currently produce industrial alcohol at our Gologokarannath, Kinauni, Gangnauli, Khambharkhera and Rudauli distilleries, as well as 60 KL of capacity per day at the Palia Kalan distillery that we have leased to a third party since May 2006.

Our total production of industrial alcohol was 64,751 KL, 89,432 KL, 139,260 KL and 40,207 KL for fiscal years 2006, 2007, 2008 and the first six months of fiscal year 2009, respectively.

Customers

We sell ethanol primarily to Indian oil companies through a competitive tender mechanism. Our largest ethanol customers in fiscal year 2008 were three Government-owned companies. Ethanol sales constituted 60% of our industrial alcohol sales in fiscal year 2008 by volume. We also produce rectified spirits such as special denatured spirit and extra neutral alcohol, which together constituted approximately 40% of our industrial alcohol sales during fiscal year 2008 by volume. The balance of our sales is made through selling agents. In October 2007, the Central Government, pursuant to its "Bio-fuels for Surface Transportation" scheme, required Indian oil companies in certain States to blend 5% ethanol into their fuel products, and there have been proposals for the blending requirement to be increased to 10%.

Sales and Distribution

In fiscal year 2008, our gross sales from industrial alcohol operations were Rs.3,548.9 million, or approximately 16.0% of our total gross sales, compared to gross sales of Rs.1,977.5 million, or 10.3% of our total gross sales, in fiscal year 2007. In the six months ended March 31, 2009, our gross sales of industrial alcohol were Rs.689.8 million, or 6.9% of our total gross sales in that period.

A substantial portion of our industrial alcohol production is ethanol, which we mostly sell to Indian oil companies. In fiscal years 2007 and 2008, our gross sales of ethanol were Rs.746.4 million and Rs.2,275.8 million, respectively, which accounted for 3.9% and 10.3% of our total gross sales in those years. In terms of volume, our ethanol sales were 29,204 KL and 89,754 KL in fiscal years 2007 and 2008, respectively. In addition to ethanol, we also produce rectified spirits in our distilleries. During fiscal year 2008, our gross sales of rectified spirits, special denatured spirits and extra neutral alcohol were Rs.1,273.1 million, this accounted for 5.7% of our total gross sales. We sold 60,375 KL of rectified spirits, special denatured spirits and extra neutral alcohol to chemical companies and liquor manufacturer in India in fiscal year 2008.

The majority of our ethanol and rectified spirits customers in India collect shipments from our distilleries. If a customer requires for us to arrange delivery, the cost is borne by the customer.

Ethanol and Rectified Spirits Prices

The price of ethanol we sell is determined by a competitive tender mechanism administered by the purchaser, and is regulated through state excise duties. The prices of the other industrial alcohol that we sell are determined by local market prices.

Ethanol prices were Rs.22.0/L in the first six months of fiscal year 2009, fiscal year 2008 and fiscal year 2007, and Rs.19.25/L in 2006. Average prices of other types of industrial alcohol realized during the fiscal years 2006, 2007, 2008 and the first six months of fiscal year 2009 were Rs.19.63/L, Rs.18.80/L, Rs.19.01/L and Rs.28.22/L, respectively.

Power

Power Generation Process

We produce electricity for our sugar mill operations. The amount of electric power we generate exceeds our operational needs, and in fiscal 2007, we began to sell our surplus power to the Uttar Pradesh State grid. We generate electric power through the burning of bagasse, a primary by-product of our sugar production process. Bagasse is a combustible material which when burned produces steam, which in turn is used to generate electric power.

Production Capacity and Output

We have established co-generation facilities at ten of our sugar mills (Palia Kalan, Kinauni, Thanabhawan, Budhana, Bilai, Gangnauli, Khambharkhera, Barkhera, Maqsudpur and Kundarkhi) which have a total installed capacity of approximately 428 MW of power. Nine of these co-generation facilities have begun to export power to the Uttar Pradesh State grid.

Customer Sales and Distribution

We sell all of the surplus power we generate to the Uttar Pradesh State grid through power purchase agreements with its distribution companies. Our gross sales from power operations in fiscal years 2008 and 2007 were Rs.343.8 million and Rs.22.6 million, respectively, or approximately 1.6% and 0.1% of our total gross sales in these years, respectively. In 2008, the average price at which we sold our excess power was approximately Rs.2.9 per KWH.

Particle Board and Medium-Density Fibre Board

We established Bajaj Eco-Tec Products Limited to manufacture particle boards and medium-density fibre boards from bagasse, the primary by-product from our sugar production activities. We realize higher margins by converting our bagasse to particle board and medium-density fibre board, compared to burning the bagasse to produce and sell power.

Manufacturing Process

Particle board and medium-density fibre board are environmentally-friendly substitutes for timber and plywood, and are produced by bonding resin with cellulose materials such as bagasse under pressure. Bajaj Eco-Tec Products Limited established three manufacturing plants for this purpose. We believe that our excess bagasse provides us with the opportunity to provide a cost effective and sustainable alternative for wood, plywood and other similar panel products while maximizing the utility of our sugar production by-products.

Production Capacity and Output

We established three manufacturing plants for our particle board and medium-density fibre board business in fiscal year 2008 in Uttar Pradesh, and commercial production of these products commenced in April 2008. The three plants, which have been operating at a 75% capacity utilization, have a current production capacity of 210,000 cubic meters per annum.

Customers

We typically sell our particle boards and medium-density fibre boards to various clients throughout India such as hospitals, hotels, colleges and universities as well as other commercial establishments.

Sales and Distribution

In April 2008, we commenced commercial operations at our three particle board and medium-density fibre board manufacturing plants. We also established a country-wide marketing and distribution network to market the products under the name “Bajaj Boards”. We plan to expand distribution of these products to overseas markets by establishing partnerships with foreign customers such as furniture manufacturers.

Other Subsidiaries

Other than BHSIL and Bajaj Eco-Tec Products Limited, we have four other subsidiaries: Bajaj Aviation Private Limited, Bajaj Eco-Chem Products Private Limited, Bajaj Internacional Participacoes Ltda. and Bajaj Hindusthan (Singapore) Private Ltd. None of these four other subsidiaries have significant operations and there are no plans to expand their operations as of the date of the Preliminary Placement Document.

Raw Material

Sugarcane is the principal raw material used in the production of sugar. Sugarcane is a tropical grass that grows best in locations with stable warm temperatures and high humidity. The climate and topography of the southwestern Indian State of Maharashtra, the southern and central States of Karnataka and Madhya Pradesh and the northern region of India, notably the State of Uttar Pradesh, are ideal for growing sugarcane. Uttar Pradesh accounted for approximately 27.8% and Maharashtra accounted for approximately 34.4% of India’s sugarcane production in the 2007-08 crushing season.

We purchase sugarcane directly from sugarcane growers’ societies and over 500,000 independent sugarcane farmers within our reserved or allocated areas. Any farmer growing sugarcane within a certain distance around a sugar mill, also known as the reserved area, is required to supply the sugarcane to that mill under an agreement entered into with the mill, and the mill is required under law to purchase the sugarcane and make payment to the farmer within 14 days of purchase. The purchase price of the sugarcane we procure is fixed by the State Government of Uttar Pradesh. If the mill is unable to crush all of the sugarcane within its reserved area, the reserved area is reallocated to a mill that is able to crush the cane. Reserved areas are allocated on an annual basis. For detailed sugarcane purchase regulations see “Regulations and Policies” and “Industry”.

The annual sugarcane harvesting period in the northern region of India generally begins in October and ends in April or May. Once sugarcane is harvested, small farmers in the vicinity of the mills transport their

respective yields directly to the mill by bullock carts, tractors and trucks. We have set up several collection centers within our reserved areas to which local farmers bring their sugarcane, which is then weighed, collated and transported to our mills. We organize the farmers' harvesting and supply schedules and payments are managed electronically using an electronic database. Data from our entire production process, ranging from sugarcane supply to sugarcane crushed per day, is stored in an electronic database.

The tables below set forth our estimates of details of our culturable area, reserved area, sugarcane area, sugarcane yield and sugarcane drawal for each of our existing mills. Culturable area is the area of land in the vicinity of our mills suitable for the cultivation of sugarcane. Reserved area is the area around a sugar mill within which sugarcane grown must be purchased by such sugar mill, subject to a minimum distance of 15 kilometers between sugar mills. Sugarcane area includes our reserved area and any other culturable area that is assigned to us by the sugarcane commissioner of a particular area on an annual basis. Sugarcane yield is the amount of sugarcane produced by the sugarcane area. Sugarcane drawal is the percentage of sugarcane available to us from the sugarcane yield which we crush.

	Culturable Area (hectare)				Sugarcane Area (hectare)				Reserved Area (hectare)			
	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08
Mills under operation												
Golagokaranath	105,000	105,000	90,788	65,310	57,291	63,500	63,214	49,986	53,290	59,554	61,734	49,224
Palia Kalan.....	61,355	61,355	61,355	49,887	42,784	45,601	52,247	40,392	38,444	39,097	41,200	31,983
Kinauni	49,257	47,611	53,518	55,000	33,808	33,545	38,418	40,797	33,808	31,295	34,955	37,369
Thanabhawan.....	-	31,914	30,564	31,349	-	24,857	24,565	25,749	-	13,584	15,059	15,486
Budhana	-	31,328	32,656	33,975	-	26,251	26,421	27,724	-	26,251	25,943	27,241
Bilai	-	42,500	41,500	41,500	-	30,890	33,214	34,047	-	30,890	31,407	30,461
Khambarkhera	-	-	57,337	53,000	-	-	40,114	39,000	-	-	27,354	28,883
Gangnauli	-	-	33,550	32,560	-	-	24,771	24,555	-	-	11,229	11,210
Barkhera	-	-	62,232	39,264	-	-	33,824	28,426	-	-	19,063	23,639
Maqsudpur.....	-	-	-	43,400	-	-	-	18,965	-	-	-	11,862
Pratappur.....	40,469	40,469	40,469	40,469	12,637	16,866	23,246	25,469	4,672	6,663	8,273	8,275
Kundarkhi	-	-	-	96,000	-	-	-	45,923	-	-	-	28,007
Utraula	-	-	-	32,000	-	-	-	21,551	-	-	-	15,853
Rudauli.....	-	-	-	103,000	-	-	-	21,112	-	-	-	14,059

(-) In this year, mill had not yet commenced operations.

	Sugarcane Yield (metric tons/hectare)				Sugarcane Drawal (%)			
	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08
Mills under operation								
Golagokaranath	50.0	60.6	56.8	59.1	66.9%	64.7%	65.9%	52.4%
Palia Kalan	50.0	60.6	56.8	59.1	72.7%	59.4%	69.1%	52.2%
Kinauni	60.0	57.5	67.1	70.2	44.0%	59.0%	66.0%	52.0%
Thanabhawan	-	67.2	64.7	66.1	-	51.4%	80.2%	57.6%
Budhana	-	70.7	67.6	69.7	-	50.0%	74.0%	60.0%
Bilai	-	64.2	60.4	62.1	-	48.0%	65.1%	46.5%
Khambarkhera	-	-	56.8	59.1	-	-	54.2%	37.1%
Gangnauli	-	-	61.9	63.2	-	-	61.0%	43.0%
Barkhera	-	-	58.4	60.7	-	-	56.8%	49.2%

	Sugarcane Yield (metric tons/hectare)				Sugarcane Drawal (%)			
	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08
Mills under operation								
Maqsudpur.....	-	-	-	56.9	-	-	-	36.3%
Pratappur.....	44.3	49.3	54.8	48.4	48.0%	48.0%	43.4%	34.2%
Kundarkhi.....	-	-	-	45.9	-	-	-	42.4%
Utraula.....	-	-	-	54.7	-	-	-	32.0%
Rudauli.....	-	-	-	53.1	-	-	-	37.0%

(-) In this year, mill had not yet commenced operations.

Due to floods in the Uttar Pradesh in 2008, a lower volume of sugarcane was harvested that year.

Each of our facilities has packaging facilities, distribution capabilities and inventory storage facilities. During the off-season period from May or June to September, the mills do not operate and are subject to routine equipment maintenance, repairs and upgrades.

Properties

We own all the land occupied by our sugar mills, other than a small portion of the land in our Budhana mill, which is subject to a long-term lease arrangement that we have entered into with the State Government of Uttar Pradesh for a period of 90 years. In addition, we have entered into lease or license agreements in relation to our corporate office located in Noida, Uttar Pradesh, our branch office located in Lucknow, Uttar Pradesh and certain office premises in Mumbai. Pursuant to a leave and license agreement dated April 9, 2009 entered into between the Company and Bajaj Capital Ventures Private Limited, certain office premises in Mumbai have been granted on a license to the Company for a period of 60 months commencing from April 2009 to March 2014. This agreement contains a lock-in provision pursuant to which neither party is entitled to terminate the agreement for a period of 36 months commencing from April 2009 to March 2012. The license fee payable under this agreement is Rs.599,100 per month. Bajaj Capital Ventures Private Limited is one of our promoters and a company in which two of our directors are interested.

Competition

According to the Government's Revitalization Report, the Indian sugar industry is highly fragmented with approximately 553 installed sugar mills and a capacity to produce an aggregate of approximately 18.0 MMT of sugar each season. These mills are located in 18 States with 60% of the mills in the co-operative sector, 35% in the private sector and the remaining 5.00% in the public sector. We are one of the largest independent sugar and industrial alcohol producers in India in terms of production volume and sales, with 12.0 MMT of crushed sugarcane during fiscal year 2008. The table below sets forth our number of mills, the amount of sugarcane crushed by us and the quantities of sugar and industrial alcohol produced by us compared to our main competitors.

	Number of Mills	Sugarcane Crushed (Thousands of metric tons)	Sugarcane Production (Thousands of metric tons)	Industrial alcohol Production (millions of liters)
Bajaj Hindusthan Limited ⁽¹⁾	14	12,012	1,122.4	139.3
Balrampur Chini Mills Limited.....	9	8,058	818.5	91.1
The Dhampur Sugar Mills Limited.....	4	3,616	360.6	—
Mawana Sugars Limited.....	3	3,996	409.8	13.9
Triveni Engineering & Industries Ltd.....	7	5,860	579.6	35.9

(1) Figures are for the year ended September 30, 2008 and may not be directly comparable.

We currently do not face any significant competition from international sugar producers in the Indian sugar market because there are limited imports of plantation white sugar in India due to high freight costs and import tariffs imposed by the Indian Government when domestic sugar supplies are sufficient to meet demand for sugar in India.

Research and Development

Sugar

We operate the Jamnalal Bajaj Institute of Applied Agricultural Research, Golagokarannath, whose facilities are being used for testing and evaluation of sugarcane varieties, by both us and by third parties. The Institute is also engaged in applied agricultural research in cooperation with reputed sugarcane research institutes such as the Sugarcane Breeding Institute Centre located in Coimbatore and Karnal; the Indian Institute of Sugarcane Research, Lucknow; the Uttar Pradesh Council of Sugarcane Research, Shahjahanpur; the All India Coordinated Research Project on Sugarcane, Lucknow; and Govind Ballabh Pant University of Agriculture & Technology, Pantnagar.

We are currently engaged in the following research and development activities:

- We engage in the micro propagation of sugarcane seeds through the Hessian bag single bud tillering process. This process involves a technique to accelerate the growth of seeds in which a single bud is specially germinated in the seed nursery and then transplanted into the fields after 30 to 35 days.
- We engage in multiple ratooning. This is a practice in which the first sugarcane crop is cut at the ground level and the bottom section of the sugarcane is retained in the soil. The section sprouts into a full crop which we cut again and retain the bottom section in the soil. Repeating this process of ratooning eliminates the need for new seeds and reduces the cost of sugarcane cultivation for growers.
- We engage in bio-manure production. We produce press mud when we crush sugarcane. We convert the press mud into bio-manure by adding spent wash from our distillery and decomposition facility. The bio-manure from the press mud is a natural fertilizer for our sugarcane growers and contributes to the control of discharge from our distillery.
- We use thermo-therapy processes to prolong seed life when the seeds are in storage. This involves a moist hot air treatment at 54 degrees centigrade for two hours to prevent the sugarcane seeds from losing their vigor and to build up seed resistance against pests.
- To increase our sugar recovery, we actively develop high sugar content varieties of sugarcane in our research stations and distribute the successfully tested varieties to sugarcane growers.

These practices have contributed to our increasing recovery rates. See “— Operations — Sugar — Production Capacity and Output”.

Employees

As of March 31, 2009, we had 3,895 permanent employees in non-wage board positions, 2,963 seasonal employees, 801 wage board employees and 1,579 trainee employees for an aggregate on 9,238 employees. We believe that we have good relations with our employees and the unions that represent them. We have not experienced a strike or other labor-related dispute in the past five years.

Work Force and Wage Settlements

We employ two categories of employees in our sugar mills: wage board employees and non-wage board employees. Approximately 35% of our permanent and seasonal employees are wage board employees.

Wage board employees are those employees whose wages, nature of employment and grades, among other aspects of employment, are governed by the Sugar Wage Board. In addition, their working conditions are also governed by standing orders applicable to non-wage board employees. Wage board employees' employment terms are governed by standing orders of the Tripartite Committee, a committee which consists of workers, sugar mill owners and State government representatives. Upon a recommendation of the Tripartite Committee, the Governor of Uttar Pradesh may pass an order to enforce the committee's recommendations.

The Sugar Wage Board makes decisions concerning various issues including permanent and seasonal categories of workers, grades, details of salary, designation, essential qualifications, experience required, duties to be assigned, variable allowances, retainer allowances to seasonal workers and housing. Only three Sugar Wage Boards have convened. Although the third Sugar Wage Board was created to govern from 1989 to 1994, the wages of the wage board employees are still subject to the third Sugar Wage Board until the fourth Sugar Wage Board comes into effect. Two interim reliefs were given by the government of the State of Uttar Pradesh in October 1993 and September 1998. Pursuant to the interim reliefs, a Rs.150 per month increase in wages came into effect in July 1994 and a further increase of the same amount was granted in September 1998. On January 15, 2005, a Tripartite Committee meeting to revise the Sugar Wage Board was conducted, and the parties agreed to increase wages by Rs.350 per month. The recommendations of the Tripartite Committee were sent to the Labor Ministry of the Uttar Pradesh State government for notification and approval, and on February 15, 2005, a Tripartite Agreement was entered into increasing the basic wage to Rs.3,400 per month. The provisions of the Tripartite Agreement were implemented by Notification No. 426 dated April 28, 2005, and the revised wages were made effective for a period of four years from October 1, 2004 to September 30, 2008 with an approximate annual increase in basic wage of 7% per annum from 2004 to 2008.

Our managerial staff constitutes our non-wage board employees. Their employment terms are contractual. As of March 31, 2009 we had 5,343 wage board and 3,895 non-wage board employees. Of our wage board employees, 801 were permanent, 2,963 were seasonal and 1,579 were trainees/temporary employees.

As of September 30, 2006, 2007 and 2008, we had a total of 4,490, 6,141 and 9,271 employees, respectively. The following table sets forth our employee details for the last three fiscal years:

	Wage Board											
	Non-Wage Board			Permanent			Seasonal			Trainee/Temporary		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Total⁽¹⁾	1,089	2,135	3,942	870	809	929	2,531	3,059	2,884	-	138	1,516

(1) Includes employees at our existing mills, our offices in Noida, Lucknow and Mumbai, as well as at plants of Bajaj Eco-Tec Products Limited.

We provide the following welfare facilities to our employees: canteen facilities, medical facilities, club facilities, schools for workers' children, premises for organizing various functions, subsidized laundry services, telephone booths, banks in the mill premises and cooperative stores. In addition, we organize cultural and religious programs, visits to temples and jogging and sports activities, among other things. Retirement benefit schemes are one of the significant elements of our employee remuneration package. Our retirement benefit schemes include, among others, provident funds, superannuation/pension fund and gratuity fund. For the provident fund, we have created separate registered trusts to which monthly contributions, equivalent to 12% of basic salary, are made.

Superannuation and pension benefits are provided only to those non-wage board employees who joined us prior to April 1, 2001. For such benefits we make an annual contribution, equivalent to 15% of the basic salary of the eligible employee, to a scheme administered by Life Insurance Corporation of India ("LIC"). These contributions earn interest and the accumulated balance of contributions and interest is used to pay

the retirement benefit to the employee. For non-wage board employees who joined on or after April 1, 2001, 15% of their basic salaries are paid to them every month in lieu of Superannuation benefits.

Gratuity benefits are provided by us in the nature of a defined benefit when an employee leaves the Company. We have made an arrangement with LIC whereby we make annual contributions, calculated actuarially. Gratuity benefits to employees are then paid by the insurer.

In addition, we also provide a minimum bonus to our employees of 8.33% per annum wherever applicable under the Bonus Act, 1965.

Human Resources Policy

Our human resources policies are applicable to all of our non-wage board employees. These policies were formulated after discussions with employees across departments and locations and now form the basis of our Human Resources Policy Manual (“HR Policy Manual”), which came into effect on April 1, 2005. The policies cover our objectives, eligibility and coverage, policy and procedures.

We review, revise and update our human resources policies from time to time to make them relevant, effective and useful to the employees as well as to us. The basic purpose is to facilitate the smooth execution of transparent policies. A copy of the HR Policy Manual has been distributed to all of our non-wage board employees for their reference.

Industrial Relations

Non-managerial employees of sugar mills and distilleries in India have historically been members of trade unions. Membership fees are paid by the employee members. We believe that we have good industrial relations in our sugar mills and distilleries. We have not experienced any disagreements with any trade unions. We have not experienced any significant loss of work days due to any labor unrest in the past five years.

There are four recognized trade unions at our Palia Kalan mill and five recognized trade unions at our Golagokarannath mill and one recognized trade union at our Pratappur mill. There are no other recognized trade unions at any of our other sugar mills.

We periodically inform the unions of the situation at our factories to facilitate ongoing communication with our employees and amicable settlements of any issues or disputes that arise with our unionized employees. Any problems, as and when they arise, are discussed and resolved mutually. Union leaders and employees are free to meet the department heads, factory managers and mill heads at any time.

Insurance

We maintain insurance covering all our inventory of sugar, industrial alcohol, particle boards and medium-density fibre boards, packing material and consumables against fire, lightning, storms, flood, earthquake, spontaneous combustion and allied perils in an aggregate amount equal to Rs.16,933 million and transit insurance in an aggregate amount equal to Rs.24,375 million. However, our business interruption insurance is only for loss due to fire. Our inventories of sugar, industrial alcohol and particle boards and medium-density particle boards located in different mills and warehouses are covered by different insurance policies with varying expiration dates and are each renewable annually. We also maintain an industrial all-risk policy for buildings and equipment in all of our mills and facilities, in an aggregate amount equal to Rs.51,507 million. In particular, we carry insurance on the equipment and products that serve as collateral in our financing transactions.

All of our insurance coverage is provided by Indian insurance companies, such as IFFCO TOKIO General Insurance Company Limited and Future Generali India Insurance Company Limited.

We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards in India.

REGULATIONS AND POLICIES

The following description is a summary of certain regulations and policies applicable to us. The information in this chapter has been obtained from legislations available in the public domain.

Restrictions on Foreign Investment

Foreign Ownership

The industrial policy was formulated in 1991 to implement the Government's liberalization program and consequently industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment.

The RBI by A.P. (DIR Series) Circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares and convertible debentures of an Indian company by non-residents to residents and from residents to non-residents, subject to the terms and conditions, including pricing restrictions, specified in such circular.

Investment by Foreign Institutional Investors

FIIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIIs must also comply with the provisions of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below), sell or otherwise deal in securities issued by Indian companies on primary and secondary markets in India and to realize capital gains or investments made through the initial amount invested in India.

Ownership Restrictions of FIIIs

Under the portfolio investment scheme, the total holding of all FIIIs together with their sub-accounts in an Indian company is subject to a cap of 24% of the paid-up capital of the company, which may be increased up to the percentage of sectoral cap on FDI in respect of such company pursuant to a resolution of the board of directors of the company and the approval of the shareholders of the company by a special resolution in a general meeting. The aggregate FII limit for the Company is currently up to 74% of its issued Equity Shares. The total holding by each FII, or in case an FII is investing on behalf of its sub-account, each sub-account, should not exceed 10% of the total paid-up capital of that company.

Labor and Environmental Regulations

Depending upon the nature of the manufacturing activity undertaken by us at our various units, applicable environmental and labor laws and regulations include the following:

- The Contract Labour (Regulation and Abolition) Act, 1970;
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- The Employees' State Insurance Act, 1948;
- The Factories Act, 1948;
- The Industrial Disputes Act, 1947;
- The Payment of Wages Act, 1936;
- The Workmen's Compensation Act, 1923;
- The Minimum Wages Act, 1948;
- The Payment of Bonus Act, 1965;
- The Payment of Gratuity Act, 1972;

- The Environment (Protection) Act, 1986;
- The Environment Impact Assessment Notification S.O. 1533(E), 2006;
- The Forest (Conservation) Act, 1980 and The Forest (Conservation) Rules, 2003;
- The Hazardous Wastes (Management and Handling) Rules, 1989;
- The Water (Prevention and Control of Pollution) Act, 1974;
- The Water (Prevention and Control of Pollution) Cess Act, 1977;
- The Air (Prevention and Control of Pollution) Act, 1981;
- The Insecticides Act, 1968; and
- Insecticides Rules, 1971.

Labor Laws

The Contract Labor (Regulation and Abolition) Act, 1970, as amended (the “CLRA”)

The CLRA requires establishments that employ or employed on any day in the previous twelve months, twenty or more workmen as contract labor to be registered and prescribes certain obligations with respect to the welfare and health of contract labor.

The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labor cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labor except under and in accordance with the licence issued.

To ensure the welfare and health of the contract labor, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

The Employees Provident Funds and Miscellaneous Provisions Act, 1952, as amended (the “EPF Act”)

The EPF Act provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

The Employees’ State Insurance Act, 1948, as amended (the “ESI Act”)

The ESI Act provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the establishment is also required to register itself under the ESI Act and maintain prescribed records and registers.

The Factories Act, 1948, as amended (the “Factories Act”)

The Factories Act defines a ‘factory’ to be any premise which employs or employed on any day in the previous twelve months, ten or more workers and in which a manufacturing process is being carried on with the aid of power or any premises where there are or were in the previous twelve months, at least twenty workers working even though there is no manufacturing process being carried on with the aid of power. State Governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the ‘occupier’ of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers’ health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to Rs.100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs.1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than Rs.25,000 in the case of an accident causing death, and Rs.5,000 in the case of an accident causing serious bodily injury.

The Industrial Disputes Act, 1947, as amended (the “Industrial Disputes Act”)

The Industrial Disputes Act provides the machinery and procedure for the investigation settlement of industrial disputes and for providing certain safeguards to the workers. The Industrial Disputes Act aims to improve the service conditions of industrial labour. When a dispute exists or is apprehended, the appropriate Government is empowered to refer the dispute to an authority mentioned under the Industrial Disputes Act in order to prevent the occurrence or continuance of the dispute. Reference may be made to a board of conciliation constituted under the Industrial Disputes Act, labour court, tribunal, arbitrator, or any other applicable authority, to prevent a strike or lock out while a proceeding is pending. Wide powers have been given to the labour courts and tribunals under the Industrial Disputes Act while adjudicating a dispute to grant appropriate relief.

Payment of Wages Act, 1936, as amended (the “Payment of Wages Act”)

Every employer is required to pay wages to persons employed by him within wage-periods not exceeding one month under the Payment of Wages Act. This Act also provides for certain authorized deductions that may be made from the wages payable to such employed persons, including fines imposed for acts or omissions specified by notice with the previous approval of the appropriate Government or prescribed authority, deductions for absence from duty, deductions for house-accommodation amenities and services rendered by the employer and accepted as terms of employment by the employed person, deductions for recovery of advances and loans and deductions for payments to co-operative societies and insurance schemes. The appropriate Government has the power, under the Payment of Wages Act, to appoint authorities to hear and decide claims arising out of deductions from wages or delay in payment of wages, including all matters incidental to such claims.

Workmen’s Compensation Act, 1923, as amended (the “Workmen’s Compensation Act”)

Under the Workmen’s Compensation Act, if personal injury is caused to a workman by accident arising out of and in the course of employment, the employer would be liable to pay such workman compensation in accordance with the provisions of the Workmen’s Compensation Act. However, no compensation is required to be paid (i) if the injury does not disable the workman for a period exceeding three days, (ii) where the workman, at the time of injury, was under the influence of drugs or alcohol, such injury not resulting in death or permanent total disablement, or (iii) where the workman wilfully disobeyed safety rules or wilfully removed or disregarded safety devices.

The Minimum Wages Act, 1948, as amended (the “Minimum Wages Act”)

State Governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing

for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Every employer is required to maintain such registers and records as prescribed by the Minimum Wages Act.

Workmen are to be paid for overtime at overtime rates stipulated by the appropriate Government. Contravention of the provisions of this legislation may in certain cases result in imprisonment up to six months or a fine up to Rs.500 or both.

The appropriate State Government may prescribe rules including the mode of calculating the cash value of wages, time and conditions of payment and permissible deductions from wages.

The Payment of Bonus Act, 1965, as amended (the “Bonus Act”)

Pursuant to the Bonus Act, an employee in a factory or in any establishment where twenty or more persons are employed on any day during an accounting year, who has worked for at least thirty working days in a year is eligible to be paid bonus on the basis of profits or production or productivity.

The Bonus Act also provides for the Central Government to make rules regarding preparation of registers, records, and other documents provided and grants powers to be exercised by the inspectors appointed under the Bonus Act.

Contravention of the provisions of the Bonus Act by a company is punishable by imprisonment for up to six months or a fine of up to Rs.1,000 or both, against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of contravention.

The Payment of Gratuity Act, 1972, as amended (the “Gratuity Act”)

Under the Gratuity Act an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent on an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed Rs.350,000.

An employee in a factory is said to be in ‘continuous service’ for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of twelve months or 120 days in a period of six months immediately preceding the date of reckoning.

Contravention of the provisions of the Gratuity Act by an employer is punishable by imprisonment for minimum of three months up to one year or a minimum fine of Rs.10,000 and a maximum of Rs.20,000 or both.

Environmental Laws

Our business is subject to environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which we operate. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.

Our operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to our operations include:

The Environment (Protection) Act, 1986, as amended (the “EPA”)

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the Government of India with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for *inter alia*, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines up to Rs.100,000 or imprisonment of up to five years, or both.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Environment Impact Assessment Notification S.O. 1533(E), 2006 (the “EIA Notification”)

The EIA Notification issued under the EPA and the Environment (Protection) Rules, 1986 provides that the prior approval of the Ministry of Environment and Forests or State Environment Impact Assessment Authority as the case may be, is required in the event of any new project specified in the EIA Notification. The EIA Notification states that obtaining of prior environmental clearance includes a maximum of four stages, *i.e.*, screening, scoping, public consultation and appraisal.

The Forest (Conservation) Act, 1980, as amended (the “Forest Act”) and The Forest (Conservation) Rules, 2003, as amended (the “Forest Rules”)

The Forest Act requires consent from the relevant authorities prior to clearing forests by felling trees, using the forest for non-forest purposes, renewals of leases and other matters under the Forest Rules. All applications have to be made through the respective State Governments who forward the applications which are complete in all respects to the regional office or the Ministry of Environment and Forests. Penalty for non-compliance with the provisions of the Forest Act is simple imprisonment which may extend to 15 days.

An advisory committee has been constituted under the Forest Act to give effect to the provisions of the Forest Act and Forest Rules.

The Hazardous Wastes (Management and Handling) Rules, 1989, as amended (the “Hazardous Wastes Rules”)

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable for any fine that may be levied by the respective State Pollution Control Boards. Penalty for the contravention of the provisions of the Hazardous Waste Rules includes imprisonment up to five years and imposition of fines as may be specified in the EPA or both.

The Water (Prevention and Control of Pollution) Act, 1974, as amended (the “Water Act”)

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and

conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, *inter alia*, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, *inter alia*, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well.

A central water laboratory and a state water laboratory have been established under the Water Act.

The Water (Prevention and Control of Pollution) Cess Act, 1977, as amended (the “Water Cess Act”)

The Water Cess Act provides for levy and collection of a cess on water consumed by industries with a view to augment the resources of the Central and State Pollution Control Boards constituted under the Water Act. Under this statute, every person carrying on any industry is required to pay a cess calculated on the basis of the amount of water consumed for any of the purposes specified under the Water Cess Act at such rate not exceeding the rate specified under the Water Cess Act. A rebate of up to 25% on the cess payable is available to those persons who install any plant for the treatment of sewage or trade effluent, provided that they consume water within the quantity prescribed for that category of industries and also comply with the provision relating to restrictions on new outlets and discharges under the Water Act or any standards laid down under the EPA. For the purpose of recording the water consumption, every industry is required to affix meters as prescribed. Penalties for non-compliance with the obligation to furnish a return and evasion of cess include imprisonment of any person for a period up to six months or a fine of Rs.1,000 or both and penalty for non payment of cess within a specified time includes an amount not exceeding the amount of cess which is in arrears.

The Air (Prevention and Control of Pollution) Act, 1981, as amended (the “Air Act”)

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

Under the Air Act, the Central Pollution Control Board has powers, *inter alia*, to specify standards for quality of air, while the State Pollution Control Boards have powers, *inter alia*, to inspect any control equipment, industrial plant or manufacturing process, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

The Insecticides Act, 1968, as amended (the “Insecticides Act”)

The Insecticides Act aims to regulate the import, manufacture, sale, transport, distribution and use of insecticides with a view to prevent risk to human beings and animals. Under the Insecticides Act, any

importer or manufacturer of any insecticide must obtain registration from the registration committee which is empowered to register insecticides after scrutinizing their formulae and verifying claims made by the importer or the manufacturer with respect to their efficacy and safety to human beings and animals. Any person that manufactures, sells, stocks, exhibits for sale or distributes any insecticide or undertakes commercial pest control operations with the use of any insecticide must obtain licenses from the relevant licensing officer. The penalties for the failure to comply with, *inter alia*, the requirement of obtaining registration and license, include imprisonment of up to two years or payment of a fine or both for the first offence, and imprisonment of up to three years or payment of a fine or both for the second and subsequent offence.

Insecticides Rules, 1971, as amended (the “Insecticides Rules”)

The Insecticides Rules specify the functions of the Central Insecticides Board, the Registration Committee, the Central Insecticides Laboratory, insecticide analysts and Insecticide Inspectors, the procedure for the registration of insecticides, grant or renewal of licenses with respect to manufacture, sale, stock, exhibit for sale or distribution of insecticides, packing and labeling of insecticides and other related matters.

Laws relating to the Sugar Industry

The sugar industry is related to Entry 33 of the List III of the Seventh Schedule to the Constitution of India (the “Constitution”) and sugarcane is an article related to the sugar industry. Sugar, sugarcane, and molasses are covered under “Foodstuffs” which is enumerated in Clause (b) to the Entry 33 of the Seventh Schedule of the Constitution. Accordingly, both Central and State Governments are empowered to legislate on this subject, and such legislation would be applicable to our business.

The Industries (Development and Regulation) Act, 1951, as amended (the “IDRA”), provides for the development and regulation of certain industries, including the sugar industry. In 1998, the sugar industry was de-licensed. Therefore, currently no license is required to be obtained under the IDRA for setting up of a new sugar mill. An Industrial Entrepreneur Memorandum is required to be filed with the Secretariat for Industrial Assistance (“SIA”), Ministry of Commerce and Industry, Government of India for the purposes of setting up or expanding the existing capacities of a sugar mill. However, please also refer to litigation relating to delicensing of the sugar industry described elsewhere in this Preliminary Placement Document. See the section “Legal Proceedings”.

Essential Commodities Act, 1955, as amended (the “Essential Commodities Act”)

The Essential Commodities Act gives powers to control production, supply, distribution etc. of essential commodities for maintaining or increasing supplies and for securing their equitable distribution and availability at fair prices. ‘Sugar’ has been defined under the Essential Commodities Act as (i) any form of sugar containing more than ninety per cent of sucrose, including sugar candy; (ii) khandsari sugar or bura sugar or crushed sugar or any sugar in crystalline or powdered form, or (iii) sugar in process in vacuum pan sugar factory or raw sugar produced therein

Under the powers conferred under Section 3 of the Essential Commodities Act, the Central Government has passed, *inter alia*, the following legislations regulating the production, sale and purchase of sugar and sugarcane:

The Sugar (Control) Order, 1966

The Sugar (Control) Order, 1966, confers on the Central Government powers of issuing directions regulating or restricting the production, sale, distribution, quality and storage of sugar, calling for information from producers or recognised dealers, inspection, entry, search, sampling and seizure of sugar. In pursuance of these powers, the Central Government has from time to time issued directions.

On the basis of the quarterly free sale quota decided by the Government, month-to-month release orders for the sale of sugar in the open market are issued under clause 5 of the Sugar (Control) Order, 1966.

The Sugarcane (Control) Order, 1966

The key provisions of the Sugarcane (Control) Order, 1966, include:

- The Government is empowered to fix a minimum price (i.e., the Statutory Minimum Price) for sugarcane procured and purchased by a sugar mill.
- No new sugar factory can be set up within the radius of 15 kilometers of any existing sugar factory or another new sugar factory.
- Payments to the sugarcane farmers must be made within 14 days from the date of delivery of the sugarcane.
- This order also provides for payment of interest on amounts overdue after delivery of sugarcane, payment of additional cane price to the growers, regulation of distribution and movement of sugarcane, licensing and regulation of power crushers and khandsari units, issue of directions to producers of khandsari sugar, power to call for information etc. from producers and powers of entry, search and seizure.

The Levy Sugar Supply (Control) Order, 1979, as amended by the Levy Sugar Supply (Control) Amendment Order, 2000, Notification No. G.S.R. 135(E) dated February 17, 2000

The objective of this legislation is to empower the Central Government to issue directions to any producer or dealer to supply levy sugar to such persons or organisations in such areas or markets, or to the State Government/Union Territory administration as the Central Government may specify. Month-to-month release orders for delivery of levy sugar are issued in exercise of the powers conferred by this order.

The Molasses Control Order, 1961

This order includes various provisions for regulation of the storage, grading, sale and removal of molasses. It empowers the Government to fix maximum prices of molasses. In the State of Uttar Pradesh, The U.P. Sheera Niyantaran Adhiniyam, 1964 (discussed below) supersedes the Molasses Control Order, 1961.

The other legislations relating to the sugar industry are:

Sugar (Packing And Marking) Order, 1970

The Sugar (Packing and Marking) Order, 1970 requires sugar to be packaged in A-twill jute bags conforming to prescribed standard specifications meant for the purpose of export, unless specifically exempted by the Government. The order also details the markings to be indicated on such bags. Small consumed packs of sugar that are meant for the purpose of export have been exempted from the compulsory use of jute bags.

Sugar Cess Act, 1982

The Sugar Cess Act, 1982, as amended (“Sugar Cess Act”) empowers the Government to levy a cess on sugar. Funds generated by the cess are used to promote the development of the domestic sugar industry by providing financial assistance for the rehabilitation and modernisation of sugar factories, expand sugarcane production and make research grants to encourage further development of the sugar industry.

Net proceeds generated by the cess are credited to the Sugar Development Fund described below. The Sugar Cess Rules, 1982 were promulgated under the Sugar Cess Act and govern the accounting reports, accounts and other related returns to be furnished to the Government by sugar factories.

Sugar Development Fund Act, 1982

The Sugar Development Fund Act, 1982 (“SDF Act”) established the Sugar Development Fund to promote the development of the sugar industry by providing low-interest loans to rehabilitate and modernise sugar

factories, help expand sugarcane production and make research grants to encourage further development of the sugar industry. Such fund is also used to purchase sugar in case of excess production, to create a buffer stock to help stabilise the price of sugar. The Sugar Development Fund Rules, 1983 were promulgated pursuant to Section 9 of the SDF Act and govern (i) the terms and conditions of loans or grants made from fund sources, (ii) the manner and form in which applications are to be made, (iii) the composition of the relevant committee and the procedure to be followed by such committee in the discharge of its functions, and (iv) the form in, and the period within, which statistical and other information may be furnished by sugar factories.

Levy Sugar Price Equalisation Fund Act, 1976

The Levy Sugar Price Equalisation Fund Act, 1976, as amended (“LSPEF Act”), provides for the establishment, in public interest, of the Levy Sugar Price Equalisation Fund (“LSPEF”), which is designed to ensure that the price of levy sugar is uniform throughout India. Money paid into the LSPEF which remains unclaimed by recipients six months from the date on which it is credited shall vest in the Government and shall be utilised to ensure that the retail issue price of levy sugar is uniform throughout the Country. The LSPEF Act also empowers the Government to recover excess realisations made by sugar factories as arrears of land revenue. The LSPEF Act prescribes certain penal provisions, including imprisonment, fines, or both, for defaulting sugar mills in connection with crediting excess realisations. The Levy Sugar Price Equalisation Fund Rules, 1977 were promulgated under the LSPEF Act, and govern (i) how money is credited to the LSPEF, (ii) the accounting of transactions related to the LSPEF, (iii) applications from buyers for refund, and (iv) utilization of the LSPEF by the Government.

The following state legislations are also applicable:

The U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953

The U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953, regulates the supply and purchase of sugarcane for use in sugar factories and jaggery, rab or khandsari manufacturing units. The key provisions of this Act are as follows:

- This statute provides for setting up of certain agencies like development councils and cane growers’ societies.
- The Act provides for an officer to be appointed as the sugar cane commissioner in a prescribed area called the “Cane Commissioner”, and includes an additional cane commissioner.
- The Cane Commissioner shall, on application by the occupier of a factory, reserve or assign an area for the purposes of supply of sugarcane to the factory.
- In the case of a reserved area, the occupier of the factory may be directed to purchase all the cane grown in that area; however, the occupier of the factory is obligated to purchase the bonded sugarcane within the reserved area of such a factory.
- In the case of an assigned area, the Cane Commissioner may determine the quantity of cane to be offered for sale to the occupier of the factory.
- The State Government fixes the State Advised Price (“SAP”) under the provisions of this statute. It is mandatory for every factory to pay the SAP on purchase of sugarcane.
- Every factory is also required to pay commission to the sugarcane growers’ society or the development council (if the purchase is made directly from the sugarcane grower) on purchase of sugarcane.
- The U.P. Sugarcane (Regulation of Supply and Purchase) Rules, 1954 have been framed under the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953 to specify the procedures for implementation of the underlying act.

The U.P. Sugarcane Supply and Purchase Order, 1954

The U.P. Sugarcane Supply and Purchase Order, 1954 provides the procedure for purchase of cane in a reserved or assigned area. It prescribes relevant forms of agreement between the sugarcane grower and the factory, as well as the sugarcane growers’ societies and the factories. Under this statute, a sugarcane

grower or a sugarcane grower's society may offer, in the prescribed form, to supply cane grown in the reserved area to the occupier of the factory, within a specified period after an order reserving an area for a factory has been issued. Upon the receipt of such offer, the factory and the cane grower or the growers' society, as the case may be, enter into an agreement, in the prescribed form, whereby the farmer or the growers' society agrees to sell a specified quantity of sugarcane during a particular sugarcane season. If a party fails to comply with its obligations under such agreement it is required to compensate the other. The agreement further provides that any dispute between the parties regarding the quality and condition of the cane, the place of delivery, the instalments and other matters relating to such agreement shall be referred to arbitration and that no suit shall lie in civil or revenue courts in this regard.

The U.P. Restriction on Sugarcane Purchase Order, 1966

The U.P. Restriction on Sugarcane Purchase Order, 1966, sets forth restrictions regarding the purchase and crushing of sugarcane with the view of regulating and increasing the supply of sugarcane for securing equitable distribution thereof.

The U.P. Sugarcane (Purchase Tax) Act, 1961

The U.P. Sugarcane (Purchase Tax) Act, 1961 imposes a tax on the purchase of sugarcane by factories and certain jaggery, rab or khandsari sugar manufacturing units. The key provisions of this statute are as follows:

- It provides for the levy of a tax on the purchase of sugarcane at a specified rate.
- The purchase tax levied shall be payable by the owner of the factory and in the event of any delay in payment of the tax, the owner shall be liable to pay interest from the due date until the date of payment.
- The State Government is also empowered under this statute to allow remission of purchase tax.
- No sugar produced shall be removed from the factory for consumption, sale or for manufacture of any other commodity in or outside the factory before the payment of the purchase tax.
- The U.P. Sugarcane (Purchase Tax) Rules, 1961 sets forth the procedural rules related to purchase tax.

The U.P. Sheera Niyantaran Adhiniyam, 1964

The U.P. Sheera Niyantaran Adhiniyam, 1964 regulates the storage, grading and price of molasses produced by the sugar factories. Some of its key features are:

- This statute provides for preservation, storage, sale and supply of molasses and empowers the State Government to fix the maximum price of molasses.
- It provides for the maintenance of a molasses storage fund by every sugar factory.
- Levy of administrative charges on the molasses sold and supplied by a sugar factory.

Laws relating to the Distillery Industry

The distillery industry is subject to general fiscal legislations in India such as Excise and Tax.

Laws relating to the Power Industry

The Electricity Act, 2003

The Electricity Act, 2003 was enacted to consolidate the laws relating to the generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to the development of the power industry. These include promoting competition, protecting interests of consumers and supply of electricity to all areas, rationalisation of electricity tariff, ensuring transparent policies regarding subsidies, promotion of efficient and environmentally benign policies, the constitution of the Central Electricity Authority and regulatory commissions, and the establishment of an appellate tribunal.

Electricity Rules, 2005

The Electricity Rules, 2005 were framed under the Electricity Act, 2003 and lay down the requirements of captive generating plants and generating stations. The authorities constituted under these rules may give appropriate directions for maintaining the availability of the transmission system of a transmission licensee.

Uttar Pradesh State Electricity Laws

- U.P. Electricity Reforms Act, 1999
- UPERC (Procedure, Terms & Conditions for Grant of Trading Licence for Intrastate Electricity Trader and other related Provisions) Regulations, 2004
- Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions of Generation Tariff) Regulations, 2004
- Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) Regulations, 2004
- U.P. Electricity Supply Code, 2005
- Uttar Pradesh Electricity Regulatory Commission (Terms & Conditions for Supply of Power and Fixation of Tariff for Sale of Power from Captive Generating Plants, Co-generation, Renewable Sources of Energy and other Non-conventional Sources of Energy based Plants to a Distribution Licensee) Regulations, 2005
- Uttar Pradesh Electricity Regulatory Commission (General Conditions of Transmission Licence) Regulations, 2005
- U.P. Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulation, 2006
- Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006
- U.P. Electricity Grid Code, 2007
- UPERC (Consumer Grievance Redressal Forum & Electricity Ombudsman) Regulations, 2007

BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

Our Board of Directors is responsible for our overall management and supervision. Our Chairman and Managing Director, assisted by our Joint Managing Director and our Director (Corporate and Legal Affairs), is responsible for our day-to-day management under the supervision, direction and control of our Board of Directors.

Our 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 twelve. Clause 49 of our Listing Agreement with the Indian stock exchanges (“Listing Agreement”) requires that at least half of our Board should be non-executive Directors. In addition, clause 49 of our Listing Agreement requires that if our chairman is an executive member, then at least half of our Board should be independent. Our Board of Directors currently consists of eight (8) Directors, including five (5) non executive Directors and four (4) of the non-executive Directors are also independent Directors. We have no service contracts with any of our Directors.

One third of the Directors appointed by the shareholders, with the exception of Mr. Shishir Bajaj and Mr. Kushagra Bajaj, 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 table below sets forth the details of the Board of Directors:

Name	Designation	Age
Mr. Shishir Bajaj	Chairman and Managing Director	60
Mr. Kushagra Nayan Bajaj	Joint Managing Director	31
Dr. Sanjeev Kumar	Director (Corporate and Legal Affairs)	50
Mr. D.S. Mehta	Non-Executive Director	72
Mr. M.L. Apte	Non-Executive Director (Independent)	75
Mr. Ravindrakumar V. Ruia	Non-Executive Director (Independent)	47
Mr. Alok Krishna Agarwal	Non-Executive Director (Independent)	44
Mr. D. K. Shukla	Non-Executive Director (Independent)	66

The business address of each of the Directors is Bajaj Bhawan, Jammalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021, India.

Brief Biographies of our Directors

Mr. Shishir Bajaj, Chairman and Managing Director

Mr. Shishir Bajaj, Chairman and Managing Director of the Company and one of our promoters is an industrialist and he has been actively looking after the affairs of the Company since 1974. After completing his MBA from New York University majoring in finance, Mr. Bajaj joined the Company in 1974. He was inducted on the Board as the Joint Managing Director in 1986 and as the Managing Director in 1988. Mr. Bajaj has been our Chairman and Managing Director since October 1999. Mr. Bajaj is also a director of the following companies: Bajaj Consumer Care Limited, Esugarindia Limited, Bajaj Capital Ventures Private Limited and Kotak Mahindra Bank Limited.

Mr. Kushagra Nayan Bajaj, Joint Managing Director

Mr. Kushagra Nayan Bajaj is the Joint Managing Director of the Company and one of our promoters. He graduated with a Bachelor of Science (honors) degree in Economics, Political Philosophy and Finance from the Carnegie Mellon University, Pittsburgh, USA. Mr. Bajaj completed his Master of Science degree in Marketing from the Northwestern University, Chicago, USA. Mr. Bajaj was Chief Executive of the

Company from August 2001 to April 2007. Mr. Kushagra Bajaj is the son of Mr. Shishir Bajaj. Mr. Kushagra Bajaj is also a director of the following companies: Bajaj Hindusthan Sugar and Industries Limited, Bajaj Consumer Care Limited, Bajaj Corp Limited, Bajaj Capital Ventures Private Limited and Bajaj Eco-Tec Products Limited.

Dr. Sanjeev Kumar, Director (Corporate and Legal Affairs)

Dr. Sanjeev Kumar, our Director (Corporate and Legal Affairs) since March 2009 was formerly the Group President of corporate and legal since June 2004. He obtained a Masters in Commerce in 1979, a Doctorate in 1996, an LL.B. in 2001, a Diploma in intellectual property rights laws in 2001 and a Diploma in Literature. In addition, Dr. Kumar has been a Cost Accountant since 1981 and a Company Secretary since 1982. Dr. Kumar has approximately 26 years of professional experience. Prior to joining us, he worked with Cawnpore Textile Limited, Kanpur as a junior costing office, UP Electronics Corporation Limited, Lucknow as an assistant accounts officer, New Victoria Materials, Kanpur as a senior accounts officer, Rakmans Consultants Private Limited, Kanpur as a corporate director, Transasia Packaging Limited as a Company Secretary and HB Stockholdings Limited, New Delhi as a vice president (legal) and company secretary. Dr. Kumar is also a director of the following companies: Raunaq International Limited, Bajaj Eco-Tec Products Limited, Bajaj Aviation Private Limited and BPA Estates Private Limited.

Mr. D.S. Mehta

Mr. D.S. Mehta has been a member of our Board of Directors since January 1986. He has an honors degree in Commerce from Mumbai University and is an alumnus of Sydenham College. Mr. Mehta is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. Mr. Mehta has approximately three decades of professional experience in corporate law, taxation, finance and investment. He has been associated with the Bajaj Group of companies since 1966. Mr. Mehta is a director of the following companies: Mukand Limited, Maharashtra Scooters Limited, Bajaj Auto Finance Limited, Sikkim Janseva Prathisthan Private Limited, Janmabhoomi Newspapers Education Foundation, Niche Financial Services Private Limited, Bajaj Auto Limited, Bhoopati Shikshan Pratisthan, Mahakalp Arogya Pratisthan and Benchmark Asset Management Company Private Limited.

Mr. M.L. Apte

Mr. M.L. Apte has been a member of our Board of Directors since July 1970. He is also the chairman of the Apte Group of companies. Mr. Apte is a former sheriff of Mumbai, a former president of the Maharashtra Chamber of Commerce, the Bombay Chamber of Commerce, the Cricket Club of India and the Indian Sugar Mills Association, a former member of the Indian Cotton Mills Federation and a former chairman of the Textiles Committee. Mr. Apte is also a director of the following companies: Kulkarni Power Tools Limited, The Bombay Burmah Trading Corporation Limited, Standard Industries Limited, The Raja Bahadur International Limited, Apte Amalgamations Limited, Grasim Industries Limited, Zodiac Clothing Company Limited, Tata Asset Management Private Limited, Lintas India Private Limited and Dr. Writer's Food Products Private Limited

Mr. Ravindrakumar V. Ruia

Mr. Ravindrakumar V. Ruia has been a member of our Board of Directors since April 2001. He is also an executive director of the Dawn Mills Company Limited and is a director at Dawn Apparels Limited, a subsidiary of the Dawn Mills Company. Mr. Ravindrakumar is a committee member at The Bombay Mill Owners' Association, Indian Cotton Mills Federation and Bombay Textile Research Association and is a trustee of various public charity trusts. In addition, he is also a director of the following companies: Vinaykumar Family Trading and Holdings Company Limited, Special Paints Limited, Ravinay Trading Company Limited, Breezewell Homes & Holdings Private Limited, Ruia Industries Private Limited, Dawn Apparels Private Limited, RNR Trading Private Limited and DCW Limited.

Mr. Alok Krishna Agarwal

Mr. Alok Krishna Agarwal has been a member of our Board of Directors since April 2007. He is the founder managing partner of Juris Consultus, New Delhi. He was admitted to the Bar Council of India in 1988. He is an associate member of the Bar Council of Delhi, the Supreme Court Bar Association, the International Bar Association, the Indo American Chamber of Commerce and Federation of Indian Chambers of Commerce and Industry. He is also a director of the following companies: Lawz Media Private Limited, Advanced Law College of India Private Limited, Dolphin Hardwares Private Limited, A.A. Kosmetika Health Aid Private Limited, Wearit Global Limited, Milestone Global Limited and Trinity Trans Pacific Services Private Limited.

Mr. D. K. Shukla

Mr. D.K. Shukla has been a member of our Board of Directors since 2001. He has a Bachelors degree in Arts and a Masters degree in Social Work. He served as a representative for the Life Insurance Corporation of India on our Board until November 11, 2008. He retired as an Executive Director of LIC in February 2003. During his tenure with LIC, he occupied positions like Regional Manager and was in charge of 3 LIC divisions. Mr. Shukla was re-inducted in the Board with effect from December 21, 2008 as an Independent Director. In addition, Mr. Shukla is a member of our Audit Committee.

Compensation and Benefits in Kind Granted to the Directors

Remuneration of Executive Directors

Our executive Directors are compensated in accordance with the approval of the Remuneration Committee of the Board and as approved by the shareholders. The terms of remuneration of Mr. Shishir Bajaj were fixed by the Board at its meeting on April 23, 2008 where he was reappointed as Chairman and Managing Director for a period of five years beginning on July 1, 2008. His reappointment and remuneration were approved by the shareholders at the annual general meeting on March 24, 2009. The terms of remuneration of Mr. Kushagra Bajaj were fixed by the Board at its meeting on April 24, 2007 where he was appointed as Joint Managing Director for a period of five years with effect from April 24, 2007. His appointment and remuneration were approved by the shareholders at the annual general meeting held on February 26, 2008. The terms of remuneration of Dr. Sanjeev Kumar were fixed by the Board at its meeting on March 12, 2009 where he was appointed as an additional Director designated as Director (Corporate and Legal Affairs) for a period of five years with effect from March 12, 2009. His appointment and remuneration as a whole time Director were approved by the shareholders at the extraordinary general meeting held on May 4, 2009. Mr. I. D. Mittal, our former Chief Executive Director who was a Director since October 19, 2002, resigned with effect from February 6, 2009. In fiscal year 2008, our Chairman and Managing Director, Joint Managing Director and our former Chief Executive Director were paid a total salary and commission of approximately Rs.10.83 million, Rs.9.69 million and Rs.13.68 million, respectively.

The Company has applied to the Central Government seeking permission for payment of minimum remuneration to the executive Directors pursuant to the applicable provisions of the Companies Act of which certain approvals have already been received. The rest of these approvals are expected shortly.

On retirement, our Chairman and Managing Director is entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation of India. The superannuation benefits are a retirement scheme under which we contribute 15% annually to the Life Insurance Corporation of India, the administrator of the retirement fund. Our Joint Managing Director and our Director (Corporate and Legal Affairs) are not entitled to superannuation benefits and we do not contribute to any pension on behalf of our Directors.

Compensation of Directors

In the fiscal year 2008, we paid our Directors an aggregate compensation of approximately Rs.34.89 million. This included compensation paid to executive Directors of approximately Rs.34.20 million. Non-executive Directors do not receive any compensation except for sitting fees of Rs.10,000 for each Board meeting and Rs.5,000 for each committee meeting. In the fiscal year 2008, we paid our Directors, not including our executive Directors, Rs.0.69 million in sitting fees.

Stock option plans are not part of any Directors compensation package. In addition, no loans have been made to, or guarantees given on behalf of, our 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 May 31, 2009	No. of Equity Shares held after the Issue
Mr. Shishir Bajaj	45,865,281	45,865,281
Mr. Kushagra Bajaj	1,732,993	1,732,993
Mr. Madhav L. Apte	600	600
Mr. R.V. Ruia	2,250	2,250
Dr. Sanjeev Kumar	-	-
Mr. D.S. Mehta	20,580	20,580
Mr. Alok Krishna Agarwal	-	-
Mr. D.K. Shukla	-	-

Mr. Shishir Bajaj also holds 14,500,000 warrants allotted on May 18, 2009 pursuant to a preferential allotment by the Company to the promoter group in accordance with the applicable SEBI guidelines. Each warrant entitles Mr. Shishir Bajaj to subscribe for and be allotted one (1) fully paid Equity Share at a price of Rs.52.14 per Equity Share anytime within a period of eighteen (18) months from the date of allotment of the warrants. An amount equivalent to 25% of the value of such Equity Shares has been paid prior to the allotment, which is liable to be forfeited by the Company in the event the option are not exercised within such 18-month period.

Corporate Governance

We believe that good corporate governance practices reward companies that regularly observe such practices, reduce the cost of capital and increase our shareholders' returns. We strive to implement best corporate governance practices.

Our Board of Directors oversees our management and protects the long-term interests of our stakeholders. We have informal mechanisms to address ethical issues.

Board Committees

The following committees have been constituted by our Board of Directors and the members of each committee as of June 9, 2009 are set forth below:

Committee	Members (Position)
Audit Committee	Mr. R.V. Ruia, Chairman of the Committee (Non Executive, Independent) Mr. D.K. Shukla (Non-Executive, Independent) Mr. Alok Krishna Agarwal (Non-Executive, Independent)
Remuneration Committee	Mr. D.S. Mehta, Chairman of the Committee (Non-Executive) Mr. M.L. Apte (Non-Executive, Independent) Mr. D.K. Shukla (Non-Executive, Independent)

Committee	Members (Position)
	Mr. R.V. Ruia (Non-Executive, Independent)
Shareholders' & Investors' Grievance Committee	Mr. D.S. Mehta, Chairman of the Committee (Non-Executive) Mr. Shishir Bajaj (Chairman and Managing Director) Mr. R.V. Ruia (Non-Executive, Independent)
Share Transfer Committee	Mr. Shishir Bajaj, Chairman of the Committee (Chairman and Managing Director) Mr. D.S. Mehta (Non-Executive)
Management Committee	Mr. Shishir Bajaj, Chairman of the Committee (Chairman and Managing Director) Mr. Kushagra Bajaj, Joint Managing Director Mr. D.S. Mehta (Non-Executive) Mr. R.V. Ruia (Non-Executive, Independent) Dr. Sanjeev Kumar (Director Corporate and Legal Affairs) (w.e.f June 9, 2009)
GDR Committee	Mr. Shishir Bajaj, Chairman of the Committee (Chairman and Managing Director) Mr. D.K. Shukla (Non-Executive, Independent) Mr. Alok Krishna Agarwal (Non-Executive, Independent)

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 was constituted in 1989. The scope and terms of the Audit Committee is constantly reviewed and appropriate changes are made from time to time for greater effectiveness of the committee. The Audit Committee terms include mandatory requirements under Clause 49 of our Listing Agreement and Section 292A of the Companies Act. The role and powers of the Audit Committee include overseeing and monitoring our financial reporting system, considering our quarterly, half-yearly and annual financial results and submitting its observations to our Board of Directors for adoption, review of annual budgets, annual internal audit plans, legal compliance reporting systems, implementation of enterprise resource planning ("ERP") package, review of internal control systems, audit methodologies and processes, major accounting policies and practices, compliance with accounting standards, risk management and risk disclosure policies and practices. The committee also advises management on areas that require a greater focus on internal control and internal audit and on new areas to be audited. The Audit Committee bases its discussions and reviews on reports submitted by our internal audit department. The Audit Committee meets with our statutory auditors periodically and reviews the auditors' report and financial statements and discusses their findings and suggestions.

Mr. Shishir Bajaj, Chairman and Managing Director and Mr. Kushagra Bajaj, Joint Managing Director are permanent invitees to the Audit Committee meetings. In addition, the head of finance and internal audits and the representative of statutory auditors and other executives as are considered necessary, generally attend these meetings.

Remuneration Committee

The Remuneration Committee was constituted in 2003. The Remuneration Committee determines our remuneration policies for managerial personnel under applicable regulations which includes remuneration policies for executive Directors and their relatives who work in the Company, including any pension rights

and compensation payments. The Remuneration Committee makes recommendations to our Board of Directors regarding remuneration payable to our executive Directors.

Shareholders'/Investors' Grievance Committee

The Shareholders' and Investors' Grievance Committee was constituted in 2001. The committee looks into matters that include redressing of shareholder and investor complaints on matters relating to transfer of shares, non-receipt of annual report and non-receipt of declared dividends. In addition, the committee advises on matters which can facilitate better investor services and relations.

Management Committee

This non-mandatory committee was constituted in the year 2001. The term of reference to the Management Committee includes approval for borrowing working capital funds from banks, approval for opening bank accounts, authorizing our officers to engage in banking operations, granting signatory power regarding various documents on behalf of our operations and statutory compliances, including appearances before various Government, judicial and quasi-judicial authorities to represent us, approving entering into arrangements with various authorities for online and physical payment against services availed, materials received, statutory and non statutory payments and the power to create, issue, offer and allot securities in international and/or domestic market(s), for such value as may be approved by the shareholders from time to time through prospectus, offer document and/or other letter or circular and/or on private placement basis, from time to time in one or more tranches, at such value or values, at a discount or at a premium to the market price prevailing at the time of the issue.

Share Transfer Committee

The Share Transfer Committee was constituted in the year 1992. This committee approves the share transfers received by our Company for registration. The Committee meets regularly to consider and approve all the cases pertaining to transfer, transmission of shares, issue of duplicate shares, etc.

GDR Committee

The GDR Committee was constituted in 2005. The terms of reference to the GDR Committee includes allotment of shares/GDRs/convertible bonds and authorizing and authorizing various executives to accomplish related activities.

Related Party Transactions

From time to time, we enter into transactions with related parties. Our policy is that such transactions are made on an arm's length basis and on terms no less favorable than if such transactions were carried out with unaffiliated third parties. For details of related party transactions see the section "Financial Statements".

We enter into ordinary course of business transactions for travel-related services with Hind Musafir Agency Private Limited, a travel agency in which two of our Directors, Mr. Shishir Bajaj and Mr. Kushagra Bajaj were shareholders until December 31, 2008. The Company has entered into a leave and license agreement dated April 16, 2009 with Bajaj Capital Ventures Private Limited for certain office premises in Mumbai for a period of 60 months. Bajaj Capital Ventures Private Limited is one of our Promoters and a company in which Mr. Shishir Bajaj and Mr. Kushagra Bajaj are directors. The license fee payable pursuant to this agreement is Rs.599,100 per month. Except as disclosed above, our Board of Directors and senior management do not have any interests in transactions effected by us which are or were unusual in their nature or significant to our Company.

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 29, 2009 amended the existing Code of Internal Procedure and Conduct for Prevention of Insider Trading, 2002 (the “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

Our senior management team comprised of the following members as of May 31, 2009:

Name	Position	Age
Mr. Shishir Bajaj	Chairman and Managing Director	60
Mr. Kushagra Nayan Bajaj	Joint Managing Director	31
Dr. Sanjeev Kumar	Director (Corporate and Legal Affairs)	50
Mr. Manoj Maheshwari	Chief Finance Officer	43
Mr. S.H. Venkatramani	President - Corporate Communications	49
Mr. Pradeep Parakh	President and Company Secretary	42
Mr. Vivek Srivastava	Vice-President - Group HR	43

For a brief profile on Mr. Shishir Bajaj, Mr. Kushagra Bajaj and Dr. Sanjeev Kumar, please see “ – Brief Biographies of our Directors”. The following are brief biographies of our other senior management team members:

Mr. Manoj Maheshwari, Chief Finance Officer

Mr. Manoj S. Maheshwari, our Chief Finance Officer since September 2007, has been a Chartered Accountant since 1987 and a Company Secretary since 1991. Mr. Maheshwari has approximately 22 years of professional experience in management with expertise in finance, accounts and taxation. Prior to joining us, Mr. Maheshwari worked with Hindusthan National Glass and Industries Limited as Senior Vice President Finance (Chief Finance Officer) and Company Secretary, Srei International Finance Limited as Vice President and Company Secretary, Birla Corporation Limited as General Manager and Company Secretary, Krypton Industries Limited as Company Secretary and Finance Manager and Hindalco Industries Limited as Assistant Manager – Management Services.

Mr. S.H. Venkatramani, President - Corporate Communications

Mr. S.H. Venkatramani, our President of Corporate Communications, joined us in October 2005. Mr. Venkatramani obtained a Masters degree in English Literature from the Calcutta University in 1978. Mr. Venkatramani has approximately 25 years of experience in journalism and corporate communications. Prior to joining us, Mr. Venkatramani worked with ITC Limited as Vice President and Head of Corporate Communications, Ballarpur Industries Limited as Deputy General Manager - Corporate Communications and Apollo Tyres Limited as General Manager - Corporate Communications. Mr. Venkatramani has also worked as a journalist with “India Today” for six years.

Mr. Pradeep Parakh, President and Company Secretary

Mr. Pradeep Parakh, our President and Company Secretary since March 2001, received a Bachelors of Commerce (Honors) degree in 1987. He has been a Chartered Accountant since 1987 and a Company Secretary since 1991. Mr. Parakh has approximately 21 years of management experience with key strengths in the areas of corporate financing, corporate law, corporate governance and compliance. Prior to joining us, Mr. Parakh was a Deputy Company Secretary at Gujarat Ambuja Cement Limited, an assistant manager

of accounts at Indian Rayon & Industries Limited and a senior accountant at Paharpur Cooling Towers Limited.

Mr. Vivek Srivastava, Vice President – Group HR

Mr. Vivek Srivastava, our Vice President of Group Human Resources since June 2007, obtained a Masters degree in Social Welfare from the Indore University in 1988. Mr. Srivastava has approximately 21 years of experience in human resources management. Prior to joining us, Mr. Srivastava worked with Reliance Industries Limited as General Manager-HR, Optel Telecommunications Limited as Assistant Manager (P&A) and Indo Gulf Fertilizers Limited as Executive (P&A).

Interests of our Key Managerial Personnel

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

Name	Number of Equity Shares	Percentage holding (prior to the Issue)
Mr. Shishir Bajaj	45,865,281	32.43%
Mr. Kushagra Bajaj	1,732,993	1.23%
Dr. Sanjeev Kumar	-	-

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

The following table contains information as of May 31, 2009 concerning the shareholding pattern of our Company:

Category of Shareholder	Number of Equity Shares	Total shareholding as a percentage of the total number of issued and outstanding Equity Shares
Shareholding of Promoters and Promoter Group		
Indian	65,637,539	46.42
Foreign	-	-
Non-Promoter's Holding		
Mutual funds/UTI	4,093,871	2.90
Financial institutions/Banks	226,900	0.16
Insurance companies	9,635,465	6.81
Foreign Institutional Investors (FIIs)	19,639,147	13.89
Bodies corporate	12,592,737	8.90
Individuals	27,010,251	19.10
Overseas Corporate Bodies (OCB)	111	0.00
Non Resident Indians(NRI)	917,173	0.65
Shares held by Custodians (against which Depository Receipts have been issued) ¹	1,653,917	1.17
Total	141,407,111	100

¹ As of May 31, 2009, the Company had 1,653,917 outstanding global depository receipts convertible into 1,653,917 Equity Shares.

The following table contains information as of May 31, 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.	Shishirkumar Bajaj	45,865,281	32.43
2.	Bajaj Holdings and Investment Limited	13,068,511	9.24
3.	Life Insurance Corporation of India	9,163,734	6.48
4.	Janus Overseas Fund	5,807,259	4.11
5.	Legg Mason Southeast Asia Special Situations Trust	2,914,270	2.06
6.	Goldman Sachs Investments (Mauritius) I Ltd.	2,240,159	1.58
7.	International Growth Portfolio	2,202,743	1.56
8.	Kushagra Bajaj	1,732,993	1.23

Pursuant to a resolution under Section 81(1A) of the Companies Act adopted at the annual general meeting of the shareholders of the Company held on March 24, 2009, the shareholders have approved the issue and allotment, in one or more tranches, of Equity Shares or such other instruments convertible into Equity Shares, including ADRs, GDRs, foreign currency convertible bonds, including pursuant to a qualified institutional placement, in an aggregate amount of up to Rs.15 billion.

On May 18, 2009, pursuant to a preferential allotment by the Company to its promoter group, Mr. Shishir Bajaj was allotted 14,500,000 warrants. Each warrant entitles Mr. Shishir Bajaj to subscribe for and be allotted one (1) fully paid Equity Share at a price of Rs.52.14 per Equity Share anytime within a period of eighteen (18) months from the date of allotment of the warrants. An amount equivalent to 25% of the value of such Equity Shares has been paid prior to the allotment, which is liable to be forfeited by the Company in the event the option are not exercised within such 18-month period.

As of the date of this Preliminary Placement Document, the aggregate principal amount of foreign currency convertible bonds due 2011 remaining outstanding is US\$99,572,000, convertible into 9,430,884 Equity Shares.

Changes in Principal Shareholders

The major part (over 75%) of promoter shareholders are effectively controlled directly or indirectly by members of the Shishir Bajaj Group (which consists of members of the Shishir Bajaj family and entities owned and controlled by them as described below). Pursuant to an internal family settlement and arrangement, certain of the Equity Shares held by the non-Shishir Bajaj Group family members and entities have been transferred to Mr. Shishir Bajaj. In addition, Mr. Niraj Bajaj ceased to be a Director with effect from December 31, 2008. Subsequent to the implementation of the family settlement and arrangement, the effective control and management has remained with one segment of the Bajaj family, i.e., the Shishir Bajaj Group. We do not expect the aforesaid family settlement and arrangement to have any material impact on our business operations.

The Shishir Bajaj Group

The Shishir Bajaj Group is an informal reference to members of the Shishir Bajaj family and used as a common business group name for various group companies where members of the Shishir Bajaj family directly or indirectly hold a majority stake. The inception of business activities by the Bajaj family dates back to 1926, when Mr. Jamnalal Bajaj (founder of the Bajaj Group) launched certain business ventures. The first manufacturing venture of the Shishir Bajaj Group was The Hindusthan Sugar Mills Limited, which was renamed as Bajaj Hindusthan Limited in 1988. Mr. Jamnalal Bajaj's son Mr. Kamalnayan Bajaj took over the business in 1942. Mr. Kamalnayan Bajaj consolidated the group and diversified it into various manufacturing activities. Pursuant to the recent family settlement and arrangement, the majority stake and the effective control and management has remained with one segment of the Bajaj family, the Shishir Bajaj Group. Presently, the Shishir Bajaj Group comprises various companies with varied business interests, including sugar, FMCG, real estate and finance.

Presently there are thirty (30) companies in the Shishir Bajaj Group as listed below:

1. Bajaj Hindusthan Limited
2. Bajaj Aviation Private Limited
3. Bajaj Eco-Tec Products Limited
4. Bajaj Hindusthan Sugar and Industries Limited
5. Bajaj Hindusthan (Singapore) Pte.
6. Bajaj International Participacoes Ltd.
7. Bajaj Capital Ventures Private Limited (Formerly, Anunita Investments Private Limited)
8. Bajaj Ebiz Private Limited
9. Bajaj Consumer Care Limited
10. New Horizon Investments Limited - Dubai
11. Bajaj Eco-Chem Products Private Limited
12. Bajaj Infrastructure Development Company Limited
13. Esugarindia Clearing Corporation Limited
14. Esugarindia Limited
15. Golden Shore Investing Limited - BVI
16. Golden Shore Investing FZE, Sharjah
17. Bhaumik Sugars Private Limited
18. Dharnik Sugars Private Limited
19. Shweta Sugars Private Limited
20. Megha Khandsari Private Limited
21. Kartikeya Properties Private Limited
22. Kashyap Properties Private Limited
23. Kruti Real Estate Private Limited
24. Kalakruti Real Estates Private Limited

25. Bhoomvividay Properties Private Limited
26. Bhoomipooja Shelters Private Limited
27. Bajaj Allwyn Realty Private Limited
28. Amber Shelters Private Limited
29. Nayan Khandsari Private Limited
30. Bajaj Corp Limited

Bajaj Hindusthan Limited's position within the Shishir Bajaj Group

We are the oldest manufacturing business venture of the Shishir Bajaj Group incorporated in November 24, 1931. The Shishir Bajaj Group, included as part of the promoter group in our stock exchange filings, holds a majority stake (36.82% of the equity shares) in Bajaj Hindusthan Limited. Mr. Shishir Bajaj is the Chairman and Managing Director in charge of the day-to-day affairs of our business.

Certain other individuals and entities which are not members of the Shishir Bajaj Group, including Bajaj Holdings and Investments Limited, which hold in aggregate 9.60% of the Equity Shares are also included in the promoter group of the Company in our filings with the Stock Exchanges.

ISSUE PROCEDURE

Set forth below is a brief summary intended to present a general outline of the procedure relating to the bidding, payment, Allocation and Allotment of Equity Shares in the Issue. The procedure followed in the Issue may differ from the one mentioned below and prospective investors are assumed to have appraised themselves of such procedure from the Company or the Joint Global Coordinators and Joint Bookrunners. 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”.

Summary of SEBI Guidelines for a Qualified Institutional Placement

Under Chapter XIII-A of the SEBI Guidelines, pursuant to which this Issue is being made, a listed company in India may issue equity shares, fully convertible debentures, partly convertible debentures, non-convertible debentures with warrants or any other security (other than 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 nationwide 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.

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 Clause 1.2.1 (xxiv a) of the SEBI Guidelines.

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

There is a minimum pricing requirement under the SEBI Guidelines. The issue price of the equity shares must not be lower than the average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks immediately preceding the relevant date.

The “relevant date” referred to above means the date on which the meeting of the board of the company or the committee of directors duly authorized by the board of directors of the company decides to open the proposed issue and “stock exchange” means any of the recognized stock exchanges on which 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.

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 XXIA of the SEBI Guidelines. 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 the 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 recognized stock exchange in India.

The Company has applied for the approval of the Stock Exchanges under Clause 24(a) of the listing agreements. The Company has also filed a copy of this Preliminary Placement Document with the Stock Exchanges.

Issue Procedure

1. The Company and the Joint Global Coordinators and Joint Bookrunners shall circulate the serially numbered Preliminary Placement Document either in electronic form or physical form to a maximum of 49 QIBs.
2. The Joint Global Coordinators and Joint Bookrunners shall deliver to the QIBs a Bid cum Application Form. The list of QIBs to whom the Bid cum Application Form is delivered shall be determined by the Company at its sole and absolute discretion, in consultation with the Joint Global Coordinators and Joint Bookrunners. Unless this Preliminary Placement Document and the Bid cum Application Form is 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 the Bids through the Bid cum Application Form during the bidding period to the Joint Global Coordinators and Joint Bookrunners.
4. QIBs would have to indicate the following in the Bid:
 - a. Complete official name of the QIB to whom Equity Shares are to be allotted;
 - b. Number of Equity Shares Bid for;
 - c. Price at which they offer to apply for the Equity Shares, provided that the QIBs may also indicate that they are agreeable to submit a Bid in respect of the Equity Shares at "Cut-off Price" which shall be any price as may be determined by the Company in consultation with the Joint Global Coordinators and Joint Bookrunners at or above the minimum price calculated in accordance with the Clause 13A.3 of the SEBI Guidelines (the "Floor Price"), which for this Issue, is Rs. 203.83; and
 - d. Depository account details to which the Equity shares should be credited.

Note: Each eligible sub account of an FII will be considered as an individual QIB and separate forms would be required from each such sub account for submitting Bids.

5. The Bid Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Bid cum Application Form.
6. Based on the Bids received, the Company, in consultation with the Joint Global Coordinators and Joint Bookrunners, shall decide the Issue Price for the Equity Shares which shall be at or above the Floor Price and the number of Equity Shares to be issued. The Company shall notify the Stock Exchanges of

the Issue Price. On determining the Issue Price and the QIBs to whom Allocation shall be made, such QIBs shall be sent the Confirmation of Allocation Note (“CAN”) along with a serially numbered Placement Document either in electronic form or through physical delivery. The decision of the Company in this regard shall be at its sole and absolute discretion. The CAN shall contain details like the number of Equity Shares allocated to the QIB, the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB.

7. 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.
8. 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.
9. 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.
10. After receipt of the in-principle approval of the Stock Exchanges, 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.
11. The Company shall then apply for the final trading and listing permissions from the Stock Exchanges.
12. 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.
13. The Stock Exchanges shall notify the final trading and listing permissions, which is ordinarily available on their websites, and the Company shall communicate the receipt of the final trading and listing permissions from the Stock Exchanges to the QIBs who have been allotted the Equity Shares. The Company and the Joint Global Coordinators and Joint Bookrunners shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from either of 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 Clause 1.2.1 (xxiv a) of the SEBI Guidelines, and not otherwise excluded pursuant to Clause 13A.2.4 of Chapter XIII-A of the SEBI Guidelines, are eligible to invest.

Currently, under Clause 1.2.1 (xxiv a) of the SEBI Guidelines, 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 Clause 13A.2.4 of the SEBI Guidelines, 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.

FII's 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 74% 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 Preliminary Placement Document no such resolution has been recommended to the Company's shareholders for approval.

The Company and the Joint Global Coordinators and Joint Bookrunners are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after this Preliminary 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 Preliminary 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 Joint Bookrunners 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 specified Bid cum Application Form supplied by the Joint Global Coordinators and Joint Bookrunners in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares pursuant to the terms of this Preliminary 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”:

1. The QIB confirms that it is a Qualified Institutional Buyer (“QIB”) in terms of Clause 1.2.1 (xxiv a) of the SEBI Guidelines, have a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;
2. 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;
3. 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;
4. The QIB has no right to withdraw its Bid after the Bid Closing Date;
5. The QIB confirms that if allotted Equity Shares pursuant to the Issue, the QIB shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchange;
6. 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. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;
7. The QIB confirms that the Bids would not eventually result in triggering a tender offer under the Takeover Code;
8. 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 Issue Size. For the purposes of this statement:
 - a. The expression “belongs to the same group” shall be interpreted by applying the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act; and
 - b. “Control” shall have the same meaning as is assigned to it by clause (1)(c) of Regulation 2 of the Takeover Code.
9. 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 both the Stock Exchanges.

Submission of Bid cum Application Form

All Bid cum Application Forms shall be duly completed with information including the name of the QIB, the price and the number of Equity Shares bid. The Bid cum Application Form shall be submitted to the Joint Global Coordinators and Joint Bookrunners either through electronic form or through physical delivery at the following address:

Name: CLSA India Limited
Address: 8/F, Dalamal House, Nariman Point, Mumbai 400 021, India
Contact Person: Tathagat Mukhopadhyay
Email address: tathagat.mukhopadhyay@clsa.com

Name: Deutsche Equities India Private Limited
Address: DB House, Hazarimal Somani Marg, Fort, Mumbai 400 001, India
Contact Person: Muffazal Arsiwalla
Email address: muffazal.arsiwalla@db.com

The Joint Global Coordinators and Joint Bookrunners shall not be required to provide any written acknowledgement of the Bid.

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Application Form within the bidding period to the Joint Global Coordinators and Joint Bookrunners who shall maintain the book.

Price discovery and allocation

The Company, in consultation with the Joint Global Coordinators and Joint Bookrunners, shall finalize the Issue Price of the Equity Shares which shall be at or above the Floor Price.

After finalization of the Issue Price, the Company shall update this Preliminary Placement Document with the Issue details and file the final Placement Document with the Stock Exchanges.

Method of Allocation

The Company shall determine the Allocation for the purposes of inviting CANs, in consultation with the Joint Global Coordinators and Joint Bookrunners, in compliance with Chapter XIII-A of the SEBI Guidelines.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be determined at the sole and absolute discretion of the Company in consultation with the Joint Global Coordinators and Joint Bookrunners to a maximum of 49 QIBs. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE COMPANY AND THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS 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 ISSUE PRICE. NEITHER THE COMPANY NOR THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS IS 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:

- (a) two, where the issue size is less than or equal to Rs.2.5 billion;
- (b) 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 Issue Size.

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 clause. For details of what constitutes “same group” or “common control” see the section “- Application and Bidding – Bid cum Application Form”.

An invitation or offer shall not be made to more than 49 QIBs.

Confirmation of Allocation Note

Based on the Bids received, the Company in consultation with the Joint Global Coordinators and Joint Bookrunners, in its sole and absolute discretion, decide the list of QIBs to whom the CAN shall be sent containing details of the Equity Shares allocated to them and the details of the amounts payable by them by the Pay-In Date for Allotment of the Equity Shares in their respective names. Additionally, the CAN would include details of the bank account for transfer of funds if done electronically, the 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.

The dispatch of the serially numbered Placement Document and the CAN to the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Company and the Joint Global Coordinators and Joint Bookrunners and to pay the entire Issue 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 AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

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 (the “Special Cash Account”) with IDBI Bank Limited (the “Payment Collection Bank”) in terms of the arrangement between the Company and the Payment Collection Bank. The 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 respective CAN.

If the payment is not made favoring the Special Cash Account within the time stipulated in the CAN, the Bid of the QIB and the CAN is liable to be cancelled.

In case of cancellations or default by the QIBs, the Company, in consultation with the Joint Global Coordinators and Joint Bookrunners, has the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at its sole and absolute discretion.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of “BHL-QIP Account” as per the payment instructions provided in the CAN.

QIBs may make payment through cheques or electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected. Payments through cheques should be only through high value cheques payable at Mumbai.

Designated Date and Allotment of Equity Shares

- (a) The Company will endeavor 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 Issue Price in the Special Cash Account as stated above.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- (c) The Company reserves the right, at its sole and absolute discretion, to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
- (d) Following Allotment and credit of Equity Shares into the QIBs Depository Participant account, the Company would 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 Cash Account to the Company until such time that the Company delivers to the Payment Collection Bank the approval of the Stock Exchanges for the 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 Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by the Company or the Joint Global Coordinators and Joint Bookrunners.

Submission 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 or PAN

Each QIB should mention its Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid cum Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Bid cum Application Form is liable to be rejected on this ground.**

Our Right to Reject Bids

The Company, in consultation with the Joint Global Coordinators and Joint Bookrunners, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of the Company and the Joint Global Coordinators and Joint Bookrunners in relation to the rejection of a Bid shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e., not in the form of physical certificates but be fungible and 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 either of 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 be traded only on the stock exchanges having electronic connectivity with the NSDL and the CDSL. All the stock exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (d) The trading of the Equity Shares of the Company would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.
- (e) The Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Bid cum Application Form or on part of the QIBs.

PLACEMENT

Memorandum of Understanding

The Joint Global Coordinators and Joint Bookrunners have entered into a Memorandum of Understanding with the Company (the “MOU”), pursuant to which the Joint Global Coordinators and Joint Bookrunners have agreed to procure, on a best effort basis, up to such number of the Company’s Equity Shares, the aggregate subscription amount of which shall be up to Rs.15 billion, to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines.

The MOU contains customary representations and warranties, as well as indemnities from the Company and is subject to termination in accordance with the terms contained therein.

Applications shall be 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 Preliminary Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and with the exception of QIBs, 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 Joint Bookrunners (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 Joint Bookrunners 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 Joint Bookrunners may purchase Equity Shares and be allocated Equity Shares. See also the section “Notice to Investors — Off-shore Derivative Instruments (P-Notes)”.

Lock-up

The Company has agreed that subject to certain exceptions, it will not, without the prior written consent of Joint Global Coordinators and Joint Bookrunners, for a period of up to 90 days after the date of the Placement Document, (i) directly or indirectly, offer, pledge, sell, contract to sell, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Equity Shares or any other securities of the Company substantially similar to the Equity Shares, including, but not limited to options, warrants or other securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive, Equity Shares or any such substantially similar securities, whether now owned or hereinafter acquired, (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Equity Shares or any such substantially similar securities, whether now owned or hereinafter acquired; whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (iii) publicly announce its intention to enter into the transactions referred to in (i) or (ii) above. This restriction shall not apply to the issue of Equity Shares pursuant to outstanding warrants and foreign currency convertible bonds as described in the Placement Document. The promoters, certain Directors and certain shareholders of the Company have also agreed not to sell or otherwise dispose of their respective shareholdings in the Company for a period of up to 180 days from the date of the Placement Document.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary 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 Preliminary 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 authorized or permitted.

General. No action has been or will be taken by the Company or the Joint Global Coordinators and Joint Bookrunners that would permit a public offering of the Equity Shares, or possession or distribution of this Preliminary Placement Document of any offering or publicity material relating to the Equity Shares. No offers, sales or deliveries of any Equity Shares, or distribution or publication of any offering material relating to the Equity Shares, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Company or the Joint Global Coordinators and Joint Bookrunners.

Australia. This Preliminary Placement Document has not been, and will not be, lodged with the Australian Securities and Investments Commission as a disclosure document for the purposes of the Corporations Act 2001. This Preliminary Placement Document does not purport to include the information required of a disclosure document under Chapter 6D of the Corporations Act 2001.

Any Equity Shares in the Company issued upon acceptance of the offer may not be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia for at least 12 months after their issue, except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act 2001 or unless a disclosure document that complies with the Act is lodged with the Australian Securities and Investments Commission.

Each investor acknowledges the above and, by applying for Equity Shares under this Preliminary Placement Document, gives an undertaking not to sell those Equity Shares (except in the circumstances referred to above) for 12 months after their issue.

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 which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Securities may be made at any time under the following exemptions under the Prospective Directive, if they have been implemented in that Relevant Member State:

- a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized 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,
- c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchaser for any such offer; or
- d) in any other circumstances failing which Article 3(2) of the Prospectus Directive, provided that no such offer of the Equity Shares shall result in a requirement for the publication by the Company or the initial purchaser 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 securities 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 securities to be offered so as to enable an investor to decide to purchase any securities, 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.

France. This Preliminary Placement Document is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the *Code monétaire et financier*, and has therefore not been submitted to the *Autorité des marchés financiers* for prior approval and clearance procedure.

Each of the Joint Global Coordinators and Joint Bookrunners and the Company represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, the Equity Shares to the public in France, and has not distributed or caused to be distributed, and will not distribute or cause to be distributed, to the public in France, this Preliminary Placement Document or any other offering materials relating to the Equity Shares, and that such offers, sales and distributions have only been and shall only be made in France to: (i) providers of investment services relating to portfolio management for the account of third parties; and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals; all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-3 of the *Code monétaire et financier*. Investors in France falling within the qualified investors or restricted circle of investors exemption may only participate in the issue of the Equity Shares for their own account in accordance with the conditions set out in Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the *Code monétaire et financier*. Investors in France falling within the qualified investors or restricted circle of investors exemption may only participate in the issue of the Equity Shares for their own account in accordance with the conditions set out in Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the *Code monétaire et financier*. The Equity Shares may only be issued, directly or indirectly, to the public in France in accordance with Articles L.411-1 to L.412-1 and L.621-8 to L.621-8-3 of the *Code monétaire et financier*.

Hong Kong. The contents of this Preliminary Placement Document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Preliminary Placement Document, you should obtain independent professional advice. Please note that (1) Equity Shares may not be offered or sold in Hong Kong by means of this Preliminary Placement Document or any other document other than to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) (SFO) and any rules made thereunder, or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) (CO) or which do not constitute an offer or invitation to the public for the purposes of the CO or the SFO, and (2) no person shall issue, or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to 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 shares which are or are intended to be disposed of only to persons outside Hong Kong or only to such professional investors.

Italy. The offering of the Equity Shares has not been registered pursuant to Italian securities legislation and, accordingly, no Equity Shares may be offered, sold or delivered, nor may copies of this document or of any other document relating to the Equity Shares be distributed in the Republic of Italy, except: to

(i) qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Italian Financial Services Act) and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of 4 November 2003; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (Regulation No. 11971).

Any offer, sale or delivery of the Equity Shares or distribution of copies of this Preliminary Placement Document or any other document relating to the Equity Shares in the Republic of Italy under (i) or (ii) above must be:

a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and

b) in compliance with any other applicable laws and regulations.

Japan. The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the “FIEL”). Each of the Joint Global Coordinators and Joint Bookrunners have represented and agreed that it will not offer or sell any Equity Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Luxembourg. The Equity Shares may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and, neither this Preliminary Placement Document nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except for the sole purpose of the admission to trading and listing of the Equity Shares on the Luxembourg Stock Exchange and except in circumstances which do not constitute an offer of securities to the public.

Singapore. This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”). Accordingly, the Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Preliminary Placement Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Equity Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act who has subscribed for or purchased Equity Shares, namely a person who is:

a) a corporation (which is not an accredited investor) 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 is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 of the Securities and Futures Act except:

a) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;

b) where no consideration is given for the transfer; or

c) by operation of law.

United Arab Emirates. The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this Preliminary Placement Document does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This Preliminary Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

United Kingdom. Each of the Joint Global Coordinators and Joint Bookrunners has represented and agreed that:

- it has only communicated or caused to be communicated and 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 Financial Services and Markets Act 2000 ("FSMA") in connection with the issue or sale of any Equity Shares in circumstances in which section 21(1) of FSMA does not apply to the Company; and
- it has 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.

United States. This Preliminary Placement Document is not an offer of securities for sale in the United States. The Equity Shares have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration. The Company does not intend to register the Equity Shares under the Securities Act.

TRANSFER RESTRICTIONS

Resales of Equity Shares, except on the floor of the Stock Exchanges, are not permitted for a period of one year from the date of Allotment, pursuant to Chapter XIII-A of the SEBI Guidelines. Since the following additional restrictions will apply, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Company's Equity Shares.

Equity Shares Offered and Sold within the United States

Each purchaser of the Equity Shares within the United States pursuant to Section 4(2) of the Securities Act, by accepting delivery of this Preliminary Placement Document, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, (b) acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer, and (c) aware, and each beneficial owner has been advised, that the sale of such Equity Shares to it is being made in reliance on an exemption from the registration requirements of the Securities Act.
- (2) It understands that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (i) for a period of one year from the date of allotment, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S and on a recognised stock exchange, and (ii) thereafter (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act) purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.
- (3) It understands that the Equity Shares purchased pursuant to Section 4(2) of the Securities Act (to the extent they are in certificated form), unless we determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

“THESE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. BY ITS ACCEPTANCE OF AN EQUITY SHARE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT IS NOT ACQUIRING SUCH EQUITY SHARE WITH A VIEW TO ANY DISTRIBUTION THEREOF, THAT IT IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (“QUALIFIED INSTITUTIONAL BUYER”) AND IS EITHER PURCHASING THE EQUITY SHARES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER. THESE EQUITY SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) FOR A PERIOD OF ONE YEAR FROM THE DATE OF ALLOTMENT, IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S AND ON A RECOGNISED STOCK EXCHANGE, AND (B) THEREAFTER (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED

STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THESE EQUITY SHARES.”

- (4) If it is acquiring any Equity Shares for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) The Company and the Joint Global Coordinators and Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Equity Shares Offered and Sold outside the United States

This Issue is being made pursuant to Regulation S under the Securities Act. The Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory of any state of the United States or other jurisdiction and accordingly may not be offered or sold within the United States, or to, or for the benefit of U.S. persons, except in reliance on the exemption from the registration requirements of the Securities Act in accordance with Regulation S, and in each case in accordance with any other applicable law.

Each purchaser of the Equity Shares located outside the United States, by accepting delivery of this Preliminary Placement Document, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time the Equity Shares are purchased pursuant to Regulation S will be, the beneficial owner of such Equity Shares and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.
- (2) The Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory of any state of the United States and are subject to significant restrictions on transfer.
- (3) It is purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S.
- (4) The Company, each of the Joint Global Coordinators and Joint Bookrunners, their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including the SEBI, the BSE and the NSE, and has not been prepared or independently verified by the Company or the Joint Global Coordinators and Joint Bookrunners, or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by the SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956, as amended ("SCRA") and the Securities Contracts (Regulation) Rules, 1957, as amended ("SCRR"), which, along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act, 1992, as amended (the "SEBI Act"), granted powers to the SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organizations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants. The SEBI has the power to amend the listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges requires the prior approval of the SEBI.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreements of the respective stock exchanges. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such listing agreement, subject to such company receiving prior notice of such intent of the stock exchange.

The provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended (the "Delisting Regulations") and the SCRR govern voluntary and compulsory delisting of equity shares of listed Indian companies from any of the recognized 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 recognized 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 the 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 (the "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.

Minimum Level of Public Shareholding

All listed companies are required to ensure that their minimum level of public shareholding remains at or above 25%, however, this requirement does not apply to those companies who in the past had offered at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, or to companies that have reached a size of 20 million or more in terms of the number of outstanding listed shares and Rs.10 billion or more in terms of market capitalisation. Such listed companies are required to maintain the minimum level of public shareholding at 10% of the total number of issued shares of a class or kind for the purposes of listing. Failure to comply with this clause in the listing agreement may result in such the delisting of such listed company's shares pursuant to the terms of the Delisting Regulations and may result in penal action being taken pursuant to the SEBI Act.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Guidelines. 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 Company's case is currently the Registrar of Companies located in Mumbai, Maharashtra. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation 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 concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and the 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 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 and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

Indian 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, the SEBI has instructed stock exchanges to apply the following 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, the 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 (the "NSE Nifty"), whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in all 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.

BSE

The BSE was established in 1875. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, the BSE has been incorporated and is now a company under the Companies Act.

The BSE has switched over to an on-line trading network since May 1995 and has expanded this network to over 346 cities in India. As of May 31, 2009, there were 4,928 listed companies whose securities were trading on the BSE, the total average daily turnover of the BSE in May 2009 was Rs.64.27 billion, and the market capitalization of the BSE as of May 31, 2009 stood at Rs.48,650.46 billion. (*Source: BSE*)

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. NSE does not categorise shares into groups as in the case of 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. 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 May 31, 2009, there were 1,280 companies listed whose securities were trading on the NSE, the average daily turnover of the NSE in May 2009 was Rs.191.28 billion and the market capitalization of the NSE as of May 31, 2009 stood at Rs.45,645.72 billion. (*Source: NSE*)

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 BSE are SENSEX and BSE 100 Index. The BSE Sensitive Index, or the Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, 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 the 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 certain obligations thereunder.

Certain provisions of the Takeover Code are as follows:

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.

The 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 19(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 19(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 the 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.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (“Insider Trading Regulations”), have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading 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 by 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.

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 and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse of such information. 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 must be implemented by all listed companies.

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:

- the receipt of intimation of allotment of shares; or
- 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:

- the receipt of intimation of allotment of the shares; or
- the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the “Depositories Act”) which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scrips of various companies for compulsory dematerialized trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialized trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all investors. However, even in the case of scrips notified for compulsory dematerialized trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

SEBI has also provided that the issue and allotment of shares in initial public offerings and/or the trading of shares shall only be in electronic form, and the company gives an option to subscribers, shareholders or investors either to receive the security certificates or to hold the securities in book-entry form with a depository.

Under the Depositories Act, every person subscribing to securities offered by an issuer has an option to either receive the security certificates or hold the securities with a depository

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with Depository Participants registered with the depositories established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depository in the Company’s books and this depository 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 of a shareholder and be subject to all liabilities in respect of his shares held by a depository. Every person holding equity shares 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 compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialized 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 organization under the supervision of the SEBI. Derivatives products have been introduced in a phased manner in India.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of the Memorandum and Articles of Association, the Companies Act and certain related legislation of India.

General

The authorized capital of the Company is Rs.800,000,000 divided into 300,000,000 Equity Shares of Re. 1 each and 500,000,000 unclassified shares of Re. 1 each. As of the date of this Preliminary Placement Document, 141,407,111 Equity Shares were issued and outstanding.

Dividend

Under the Companies Act, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits or reserves of previous fiscal years or out of both, arrived at in accordance with the provisions of the Companies Act. Under the Articles of Association, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Pursuant to a recent amendment to the Listing Agreement, listed companies are required to declare and disclose their dividends on per share basis only. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as at the record date for which such dividend is payable. In addition, the board may declare 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 “record date” or “book closure date”. No shareholder is entitled to a dividend while unpaid calls on any of his shares are outstanding.

Dividends must be paid within thirty days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by the Company to the Investor Education and Protection Fund established by the Government and thereafter any claim with respect thereto will lapse.

Under the Companies Act the Companies (Transfer of Profits to Reserves) Rules, 1975, as amended, a company may pay a dividend in excess of 10% of its paid-up capital in respect of any fiscal year, out of the profits of that financial year only after it has transferred to its reserves a certain percentage of its profits for that year ranging between 2.50% and 10% depending on the percentage of dividend proposed to be declared in that year. The Companies Act and the Companies (Declaration of Dividend out of Reserves) Rules, 1975, as amended, further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of accumulated profits from previous years which have been transferred to reserves, subject to certain conditions prescribed under those legislations.

Capitalisation of Reserves

The Articles of Association permit a resolution of the 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 capitalized 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.

Any issue of bonus shares by a listed company would be subject to the guidelines issued by the SEBI. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through a proportionate reservation of shares. Further, in order to issue 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 thereof and should have sufficient reason to believe that it has not defaulted in respect of any statutory dues of the employees. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within fifteen days from the date of approval by the board, if the articles of association of a company do not require such company to seek shareholders' approval for capitalisation of profits or reserves for making bonus issues. If a company is required to seek shareholders' approval for capitalisation of profits or reserves for making bonus issues, then the bonus issue should be implemented within two months from the date of the board meeting wherein the decision to issue bonus shares was taken subject to shareholders' approval.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, the Company can increase its share capital by issuing new shares. Such new shares must be offered to existing shareholders registered on the record date 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 fifteen 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 in favor of any other person provided that the person in whose favor such shares have been renounced is approved by the Board in their absolute discretion.

However, under the provisions of the Companies Act, new shares may be offered to any persons, whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of the company in a general meeting. The issue of the Equity Shares pursuant to this Issue has been approved by a special resolution of the Company's shareholders and such shareholders have waived their pre-emptive rights with respect to such Equity Shares.

The Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any of the Company's securities entitling the holder to subscribe for shares.

The Articles of Association provide that the Company may consolidate or sub-divide the Company's share capital, convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares or cancel shares which have not been taken up by any person. The Company can also alter its share capital by way of a reduction of capital, in accordance with the Companies Act.

Preference Shares

Preference share capital is that part of the paid-up capital of the company which fulfils both the requirements below:

- with respect to dividends, it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and
- with respect to capital, it carries or will carry on a winding-up of the company, a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up, subject to the provisions of the Companies Act.

Preference shares must be redeemed within twenty years of issue. Under the Companies Act, the Company may issue redeemable preference shares but:

- no such shares may be redeemed except out of profits otherwise available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
- no such shares may be redeemed unless they are fully paid;

- the premium, if any, payable on redemption shall have been provided for out of the Company's profits or security premium account, before the shares are redeemed;
- where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed; and
- the provisions of the Companies Act relating to the reduction of the share capital of a company shall, except as provided under Section 80 of the Companies Act, apply as if such reserve account were paid-up share capital of such company.

General Meetings of Shareholders

The Company must hold its annual general meeting each year within fifteen months of the previous annual general meeting and within six months after the end of each accounting year. The Registrar of Companies may extend this period in special circumstances at the Company's request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10% of the Company's issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least twenty one days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act. A general meeting may be called after giving shorter notice if consent is received from all shareholders, in the case of an annual general meeting, and from shareholders holding not less than 95% of the Company's paid-up capital, in the case of any other general meeting. The Company's general meetings are held in Mumbai.

A listed public company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the memorandum of association, a buy-back of shares under the Companies Act, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act (and guidelines issued thereunder) is required to pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of thirty days from the date of such notice. Under the Companies Act, the quorum for the Company's general meetings is five members present in person or by proxy.

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 the same proportion to such shareholder's share of the paid-up equity capital of the Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favor of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the articles of association of a company, a special resolution is required to be passed in a general meeting.

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. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A

shareholder which is a legal entity may appoint an authorized representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act allows the Company to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights, the company must have, *inter alia*, had distributable profits in terms of the Companies Act for a period of three financial years and the company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three years.

Register of Shareholders and Record Dates

The Company is obliged to maintain a register of shareholders at its Registered Office in Mumbai or at some other place in the same city. The Company recognizes as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgement 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 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, the name of the depository is entered into the Company's 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 held by a depository.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding forty five days in any one year or thirty days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act. Under the listing agreements of the Stock Exchanges on which the Company's outstanding shares are listed, the Company may, upon at least seven working 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

The annual report must be presented at the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to the company's shareholders.

Under the Companies Act, the Company must file its balance sheet and profit and loss account with the Registrar of Companies within six months from the close of the accounting year or within thirty days from the date of the annual general meeting, whichever is earlier. As required under the listing agreements, copies are required to be simultaneously sent to the Stock Exchanges on which the shares are listed. The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a daily newspaper published in the language of the region of the Registered Office (*i.e.*, Marathi).

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.

The 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

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court of competent jurisdiction. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. 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, the securities premium account or the proceeds of any fresh issue of 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:

- the buy-back should be authorized by the Articles of Association of the company;
 - a special resolution has been passed in a general meeting authorizing the buy-back (in the case of listed companies, by means of a postal ballot);
 - the buy-back is limited to 25% of the total paid-up capital and free reserves;
 - the debt owed by the company is not more than twice the capital and free reserves after such buy-back;
- and

- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, as amended.

A board resolution will constitute sufficient corporate authorization for a buy-back that is for less than 10% of the total paid-up equity capital and free reserves 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 or to issue the same kind of shares or specified securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities, if the company is in default in the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in 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, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of winding up of the Company, the holders of the Equity 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 employees, 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.

Certain Provisions of the Articles

One of our former shareholders was appointed as the managing agent of the Company under our Articles. However, the concept of the managing agent is no longer recognized under the Companies Act. Our Articles further provide that subject to the provisions of the Companies Act and the control and supervision of our Directors:

- The general management of our business shall be in the hands of the agents.
- The agents shall have the power and authority on our behalf to enter into all contracts and to do all other things that are usual, necessary or desirable in the management of our affairs or in carrying out our objects.
- The agents shall have the power to appoint, employ, remove or suspend from time to time, in or for the purposes of the management of our affairs and business, such managers, experts, engineers, agents, clerks, brokers and other employees as it deems fit. The agents also has the power to fix the terms of office for such employees in respect of duration of office, remuneration and other terms and conditions as it thinks proper.
- The power to sign receipts relating to money, goods or property in the usual course of our business, and to sub-delegate all or any of its powers, authorities and discretions, including the power to appoint one or more attorneys, respectively, shall be vested upon the agents.

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.

Indian Taxation

The following is a summary of the material Indian tax consequences of owning and disposing of Equity Shares purchased in this Issue and held as capital assets by holders who are Non-Residents.

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 (the “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 summarized below are based on the Finance Act 2008.

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 realized 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 15.84%. 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 variable rates with the maximum rate of 40% plus surcharge of 2.5% in case of non resident company and 30% in case of individual plus surcharge of 10% where income exceeds Rs.1 million and education cess at the rate of 3.0% of the tax and surcharge.

S TT

All transactions entered on a recognized stock exchange in India will be subject to Securities Transaction Tax (“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 characterization 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 characterized 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, except capital gains arising to FII's.

Capital Loss

Generally, long term loss arising from a transfer of a capital asset in India can only be set off against long term capital gain. Since long-term capital gains on the sale of listed equity shares in respect of which STT has been paid is not liable to capital gain tax, it is doubtful whether any long-term capital loss arising on account of such sale would be allowed to be set off. A short-term capital loss can be set off against capital gain whether short term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for subsequent eight years.

Wealth Tax and Gift Tax

No Indian wealth tax or gift tax will be payable with respect to the Equity Shares.

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.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of Equity Shares by U.S. Holders (as defined below) that purchase Equity Shares pursuant to the Issue and hold Equity Shares as capital assets. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof and the income tax treaty between the United States of America and the Republic of India, as amended (the “U.S.-India Tax Treaty”), all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This summary is for general information only and does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, dealers in securities, real estate investment trusts, certain former citizens or residents of the United States, persons who acquire Equity Shares as part of a straddle, hedge, conversion transaction or other integrated investment, persons that have a “functional currency” other than the U.S. Dollar, persons that own (or are deemed to own) 10% or more (by voting power) of the Company’s stock or persons that generally mark their securities to market for U.S. federal income tax purposes). This summary does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this summary, the term “U.S. Holder” means a beneficial owner of Equity Shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or an electing trust that was in existence on August 19, 1996 and was treated as a domestic trust on that date.

If an entity treated as a partnership for U.S. federal income tax purposes holds Equity Shares, the tax treatment of such partnership and each partner thereof will generally depend upon the status and activities of the partnership and the partner. Such an entity should consult its own tax adviser regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of Equity Shares.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS AND NON-U.S. TAX LAWS.

EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PRELIMINARY PLACEMENT DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER U.S. FEDERAL TAX LAW; (B) ANY SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Distributions

Subject to the discussion below under “Passive Foreign Investment Company Considerations”, a U.S. Holder that receives a distribution with respect to the Equity Shares generally will be required to include the amount of such distribution in gross income as a dividend to the extent of the Company’s current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Indian taxes

imposed on the Company with respect to distributions made to a U.S. Holder on the Equity Shares (as discussed above under “Taxation — Indian Taxation — Taxation of Dividends”) will not be included in the U.S. Holder’s gross income, and the U.S. Holder will not be able to claim a U.S. foreign tax credit for such taxes. To the extent the amount of such distribution exceeds such current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s adjusted tax basis in such Equity Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of such Equity Shares. We have not maintained and do not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a consequence, in the event that the Company were to make a distribution of dividends in excess of the Company’s current and accumulated earnings and profits, a U.S. Holder of Equity Shares may not be able to treat such distribution as a non-taxable return of capital, and may be required to include such amount as ordinary dividend income. Each U.S. Holder should consult its own tax adviser with respect to the appropriate U.S. federal income tax treatment of any distribution on the Equity Shares.

The U.S. Dollar value of any distribution on the Equity Shares made in a non-U.S. currency should be calculated by reference to the exchange rate between the U.S. Dollar and such non-U.S. currency in effect on the date of receipt of such distribution by the U.S. Holder regardless of whether the non-U.S. currency so received is in fact converted into U.S. Dollars. If the non-U.S. currency so received is converted into U.S. Dollars on the date of receipt, such U.S. Holder generally should not recognise foreign currency gain or loss on such conversion. If the non-U.S. currency so received is not converted into U.S. Dollars on the date of receipt, such U.S. Holder will have a basis in such non-U.S. currency equal to its U.S. Dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of such non-U.S. currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Distributions on the Equity Shares that are treated as dividends generally will constitute income from sources outside the United States and will generally be categorised for U.S. foreign tax credit purposes as “passive category income” or, in the case of certain U.S. Holders, as “general category income”. Such dividends will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations.

Distributions treated as dividends that are received by a non-corporate U.S. Holder (including an individual) through taxable years beginning on or before December 31, 2010 from “qualified foreign corporations” generally qualify for a 15% reduced maximum tax rate so long as certain holding period requirements are met. Dividends paid on the Equity Shares should qualify for the reduced rate if the Company is treated as a qualified foreign corporation. A non-U.S. corporation (other than a passive foreign investment company with respect to a U.S. Holder, as discussed below under “Passive Foreign Investment Company Considerations”) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of the U.S.-India Tax Treaty. Special rules apply for purposes of determining the recipient’s investment income (which limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax adviser regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Sale, Exchange or Other Disposition of Equity Shares

Subject to the discussion below under “Passive Foreign Investment Company Considerations”, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of Equity Shares in an amount equal to the difference, if any, between the amount realised on the sale, exchange or other disposition and such U.S. Holder’s adjusted tax basis in such Equity Shares. Such capital gain or loss generally will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders) or loss if, on the date of sale, exchange or other disposition, such Equity Shares were held by such U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations. Such gain or loss generally will be sourced within the United States for U.S. foreign tax credit purposes. As discussed above under “Taxation — Indian Taxation — Taxation of Capital Gains”, gain realised on the sale, exchange or other disposition of Equity Shares by a U.S. Holder may be subject to

Indian taxes. U.S. Holders should consult their own tax advisers concerning their ability to credit such Indian taxes against their U.S. federal income tax liability in their particular situation.

A U.S. Holder that receives non-U.S. currency from a sale, exchange or other disposition of Equity Shares generally will realise an amount equal to the U.S. Dollar value of such non-U.S. currency on the settlement date of such sale, exchange or disposition if (i) such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being “traded on an established securities market” or (ii) such settlement date is also the date of such sale, exchange or disposition. If the non-U.S. currency so received is converted into U.S. Dollars on the settlement date, such U.S. Holder should not recognise foreign currency gain or loss on such conversion. If the non-U.S. currency so received is not converted into U.S. Dollars on the settlement date, such U.S. Holder will have a basis in such non-U.S. currency equal to its U.S. Dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of such non-U.S. currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes. Each U.S. Holder should consult its own tax adviser regarding the U.S. federal income tax consequences of receiving non-U.S. currency from a sale, exchange or other disposition of Equity Shares in cases not described in the first sentence of this paragraph.

Passive Foreign Investment Company Considerations

We believe that we were not in the fiscal year ended on September 30, 2008, and we do not currently expect to become, a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets and the amount and type of our income, there can be no assurance that we will not become a PFIC or that the U.S. Internal Revenue Service (the “IRS”) will agree with our conclusion regarding our PFIC status. If we are a PFIC in any year, U.S. Holders could suffer adverse consequences as discussed below.

In general, a corporation organised outside the United States will be treated as a PFIC in any taxable year in which either (i) at least 75% of its gross income is “passive income” or (ii) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income.

If we are a PFIC in any year during which a U.S. Holder owns Equity Shares, such U.S. Holder could be liable for additional taxes and interest charges upon certain distributions by us or upon a sale, exchange or other disposition of such Equity Shares at a gain, whether or not we continue to be a PFIC. The tax will be determined by allocating such distributions or gain ratably to each day of such U.S. Holder’s holding period. The amount allocated to the current taxable year and any holding period of such U.S. Holder prior to the first taxable year for which we are a PFIC will be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for each such taxable year and an interest charge will also be imposed on the amount of taxes for each such taxable year.

The above results may be mitigated if a “mark-to-market” election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder’s holding period. If such election is made, such U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, the Equity Shares at the end of each taxable year as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis of such Equity Shares. In addition, any gain from a sale, exchange or other disposition of Equity Shares will be treated as ordinary income, and any loss will be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. A mark-to-market election is available to a U.S. Holder only if the Equity Shares are considered “marketable stock”. Generally, stock will be considered marketable stock if it is “regularly traded” on a “qualified exchange” within the meaning of applicable U.S. Treasury regulations. A

class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations.

The above results may also be mitigated if a U.S. Holder is eligible for and timely makes a valid “QEF election”. If a QEF election were made, such U.S. Holder generally would be required to include in income on a current basis its pro rata share of our ordinary income and net capital gains. In order for a U.S. Holder to be able to make a QEF election, we would be required to provide such U.S. Holder with certain information. As we do not expect to provide U.S. Holders with the required information, prospective investors should assume that a QEF election will not be available.

Prospective investors should consult their own tax advisers regarding the U.S. federal income tax consequences of an investment in a PFIC.

Backup Withholding Tax and Information Reporting Requirements

Under certain circumstances, U.S. backup withholding tax and/or information reporting may apply to U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of Equity Shares, unless an applicable exemption is satisfied. U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the backup withholding tax rules will be allowed as a credit against a U.S. Holder’s U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes the required information to the IRS.

Reportable Transactions

A U.S. Holder that participates in any “reportable transaction” (as defined in U.S. Treasury regulations) must attach to its U.S. federal income tax return a disclosure statement on Form 8886. U.S. Holders are urged to consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the sale, exchange or other disposition of any non-U.S. currency received as a dividend on, or as proceeds from the sale of, Equity Shares.

LEGAL PROCEEDINGS

Except as described below, the Company is not involved in any legal proceedings, and the Company is not aware of any threatened legal proceeding, which if determined adversely, could result in a material adverse effect on the business, financial condition or results of operations of the Company and its Subsidiaries taken as a whole.

The Company and its Subsidiaries are involved in litigation in the ordinary course of business. Certain criminal cases have also been instituted against the officers of the Company and its Subsidiaries.

Proceedings against the Company

Proceedings on SAP

Sugar mills in the State of Uttar Pradesh are required to procure sugarcane at the SAP which is announced by the State Government of Uttar Pradesh during each crushing season in exercise of the powers conferred upon it by Section 16 of the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953.

The SAP fixed by the State Government of Uttar Pradesh for the crushing seasons of 2002-2003 and 2003-2004, which were fixed retrospectively, was challenged by the Western U.P. Sugar Mills Association, *inter alia*, on the ground of arbitrariness and lack of authority of the State Government to fix the SAP retrospectively. The Company is one of the several sugar mills that have been included as a party to this litigation, which is now pending as a civil appeal before the Supreme Court of India (the “Supreme Court”). Since payments to the farmers have been made, it is unlikely that any liability will arise in any manner on any sugar mills including those of the Company.

The State Government of Uttar Pradesh announced a SAP of Rs.125 per quintal for the crushing season of 2006-2007. Pursuant to writ petition No. 33288 of 2007, the Company challenged the manner of fixation of SAP, *inter alia*, on the ground that the determination of SAP was without any specified norms, criteria and guidelines and accordingly, arbitrary and invalid. On December 19, 2007, the High Court of Judicature, Allahabad (the “Allahabad High Court”), *inter alia*, quashed the order of the State Government of Uttar Pradesh fixing the SAP for the crushing season 2006-2007 and further directed the State Government of Uttar Pradesh to form an expert committee represented by all the stakeholders, including representatives of cane growers, sugar producing factories and Government employees, within a period of three months and formulate a scientific and transparent cane pricing policy and re-assess the SAP for the crushing season of 2006-2007. The State Government of Uttar Pradesh filed a petition for special leave to appeal (civil) No. 372-381 of 2008 before the Supreme Court challenging the Allahabad High Court’s order. The Supreme Court stayed the operation of the judgment. On February 27, 2008, the Supreme Court pursuant to an interim order directed the payment of dues relating to the sale and purchase of sugarcane for the crushing season of 2006-2007 at the rates of Rs.115 for declined unsuitable variety, Rs.118 for general variety, and Rs.123 for early variety, in each case per quintal.

The State Government of Uttar Pradesh announced SAP for the crushing season 2007-2008 at Rs.125 per quintal. In November 2007, certain sugar factories filed writ petitions before the Allahabad High Court, Lucknow Bench, at Lucknow (the “Lucknow Bench”), challenging the constitutional validity of Section 16 of the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953 and sought quashing of the decision of the State Government of Uttar Pradesh fixing the SAP for the 2007-2008 crushing season. On November 15, 2007, an interim order was passed by the Lucknow Bench of the Allahabad High Court directing the sugar factories to pay the price of sugarcane to the cane growers at the rate of Rs.110 per quintal for the crushing season 2007-2008. The State Government of Uttar Pradesh subsequently filed a petition for special leave to appeal before the Supreme Court. Simultaneously, certain sugar companies filed writ petition No. 3271 of 2008 before a different bench of the Allahabad High Court, which, on January 17, 2008 passed an interim order directing the payment for sugarcane at the rate of SMP of Rs.81.18 per quintal, as fixed by the Central Government for the 2007-2008 crushing season. Subsequently, on January 23, 2008 and February 5, 2008, the Company filed writ petition Nos. 5210 of 2008 and 7827 of 2008 before the Allahabad High Court for identical reliefs as prayed for in the writ petition No. 3271 of 2008 in relation

to the purchase price for sugarcane. On March 31, 2008, the Allahabad High Court passed an interim order directing the payment of sugarcane price for the 2007-2008 crushing season at the rate of SMP, and on August 18, 2008, passed judgment and final order, reiterating its interim order. This was also challenged before the Supreme Court through a special leave petition. On September 8, 2008, the Supreme Court pursuant to an interim order directed that the SAP for the crushing season of 2007-2008 would be Rs.110 per quintal.

All the appeals in relation to SAP are currently pending before the Supreme Court and the next date of hearing is July 21, 2009. The Company will be liable to make further payment to farmers for the crushing seasons 2006-2007 and 2007-2008 if the Supreme Court decides the matter against it.

Proceedings on Transport Rebate

The Sugarcane (Control) Order, 1966 (the "Order"), *inter alia*, provides for fixation of the SMP by the Central Government. Clause 3A of the Order, inserted pursuant to Notification No. GSR 185 (E) dated September 24, 1976, further provides for recovery of cost incurred by the owner of a sugar mill in connection with the transportation of sugarcane. This provision places a mandatory statutory limit on the transportation rebate that could be claimed by the owner of a sugar mill. The State Government of Uttar Pradesh had revised the transport rebate in 2002 to Rs. 5.75 per quintal per kilometre pursuant to an interim order passed by the Allahabad High Court. The Company filed a civil writ petition No. 7885 of 2008 seeking further revision in transport rebate. The Allahabad High Court determined Rs.10.58 per quintal per kilometre as a reasonable transportation rebate. Hence, the Company and the other petitioners in this matter are currently entitled to deduct such rebate from the minimum price payable for the sugarcane delivered at the purchase centre established by them, until transportation rebate is worked out on the basis of guidelines issued by the Central Government in accordance with the provisions of Clause 3A of the Order.

The State Government of Uttar Pradesh has filed a special leave petition (Civil) No. 1465 of 2008 challenging this decision of the Allahabad High Court, and such proceedings are presently pending before the Supreme Court. However, the prayer for a stay on the orders of the Allahabad High Court has been rejected by the Supreme Court.

Proceedings on Pollution Matters

A public interest litigation petition was initiated before the Supreme Court in 1990 against the State Government of Uttar Pradesh. A number of industries, mainly sugar and distillery units, including certain units of the Company, situated along the banks of the river Gomti were also made parties to such petition. The petitioner alleged failure on the part of the State Government of Uttar Pradesh towards cleaning of the river and installation of adequate sewage treatment plants, despite having funds made available by the Central Government for these purposes. Upon the directions of the Supreme Court, certain pollution control measures were carried out. Similar public interest litigation petitions were filed in respect of the river Ganga in 1985. However, the Supreme Court formulated certain action plans for both the rivers and transferred the cases to the Allahabad High Court, Lucknow Bench, at Lucknow to monitor the measures undertaken by, and issue appropriate directions to, the State Government of Uttar Pradesh.

Proceedings on Encroachment at Factory at Golagokarannath

A notice was issued by the Sub-Divisional Magistrate ("SDM"), Golagokarannath directing the Company to vacate land allegedly belonging to the Forest Department admeasuring 30 acres, and to pay damages amounting to approximately Rs.19.7 million. While the adjudication by the SDM was pending, the Divisional Forest Officer ("DFO") filed an application dated March 18, 2009 before the SDM stating that the matter fell under his jurisdiction. Thereafter, the DFO has issued show cause notices to the Company on April 16, 2009 alleging encroachment of land admeasuring 27.134 acres. If this matter is decided against us, it may result in our vacating the portion of the disputed land at our Golagokarannath unit. Such adverse decision, if any, may also attract penalties, amounts of which cannot be ascertained at this stage.

Proceedings by the Company

Proceedings on the De-licensing of the Sugar Industry

Pursuant to its Press Note Number 12 dated August 31, 1998 (the “Press Note”) and notification numbered SO 808(E) dated September 11, 1998 (the “Notification”), the Central Government de-licensed the sugar industry. Accordingly, sugar mills established subsequent to the Press Note and the Notification were not required to obtain an industrial licence and were only required to file an Industrial Entrepreneurs Memorandum (the “IEM”) with the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India.

Monnet Sugar Limited (the “Petitioner”) filed a writ petition No. 36685 of 2004 against the Union of India and others (the “Respondents”) in the Allahabad High Court challenging the constitutionality of the Press Note and the Notification whereby the Government deleted the sugar industry from the list of industries requiring compulsory licensing under the provisions of the IDRA. Pursuant to an order dated August 24, 2005, the Allahabad High Court upheld the Petitioner’s contention and quashed both the Press Note and the Notification on the basis that neither the Press Note nor the Notification could be given effect or further effect without sanction of law. As a result, the Company, which was included as Respondent No. 6 in the petition, was debarred from establishing sugar units without obtaining any license under the IDRA, the permissions granted for purchasing and/or acquiring land under the Uttar Pradesh Zamindari Abolition and Land Reforms Act for establishing sugar units was cancelled and the Cane Commissioner was restrained from allocating any reserved area in favour of the Company from the current area of the Petitioner.

The Company filed a petition for special leave to appeal No. 18580/2005 against the judgment of the Allahabad High Court before the Supreme Court. Consequently, various other sugar-producing companies filed intervention applications in the appeal proceedings before the Supreme Court to be interpleaded as parties to such proceedings. Upon hearing the parties, on September 19, 2005 the Supreme Court stayed such judgment of the Allahabad High Court pending further orders. The Supreme Court also allowed the Cane Commissioner to fix, assign or reserve areas for various sugar mills in the State of Uttar Pradesh. The case is currently pending before the Supreme Court for final adjudication.

Proceedings relating to Misuse of Public Land

The Company has filed a revision application before the Collector, Lakhimpur-Kheri against the ex-parte order dated September 25, 2006 of the Assistant Collector, Golagokarannath in the matter no. 508 of 2006. Pursuant to such ex-parte order, the Company was required to vacate land admeasuring 7.63 acres and was also required to pay damages of approximately Rs.26 million to the Gram Sabha for alleged misuse of public land. The revision application is currently pending.

Proceedings relating to Indirect Taxation

The Company has filed an appeal dated August 30, 2006 before the Customs, Excise and Service Tax Appellate Tribunal (“CESTAT”) under Section 35F of the Central Excise Act, 1944 (the “CEA”), as well as under the inherent jurisdiction of the CESTAT. The appeal was filed against the demand of approximately Rs.20.30 million raised by the Commissioner, Customs and Central Excise, Meerut-I by disallowing Central Value Added Tax (“CENVAT”) credit availed of by the Company on various inputs and capital goods at the Company’s Budhana factory in connection with the installation of a new sugar plant. After construction of such plant, the Company had purchased various steel materials from duty-paid depots of the Steel Authority of India (“SAIL”) and other dealers for use in the fabrication of the sugar machinery installed in different sections of the plant. Since the steel materials were used in the manufacture of specified capital goods, the Company had availed of CENVAT credit as inputs in view of Explanation 2 to Rule 2(k) of the Cenvat Credit Rules, 2004 (the “CRR”). However, the adjudicating authority had disallowed credit on input items as well as capital goods such as bagasse carrier, cane carrier, pipe fittings etc. and imposed a penalty of Rs.20.30 million. CESTAT has pursuant to its order dated June 27, 2007 granted unconditional stay on recovery until final disposal of the appeal. The matter is pending before the CESTAT. The CESTAT, pursuant to its stay order no. 1275-77/2006-EX dated November 6, 2006, had

waived the pre-deposit of entire duty and penalty for hearing the appeal. The Company had preferred excise miscellaneous application No. 493 to 495 of 2007 in Excise Appeal No. 3111, 3141, 3046 of 2006 on May 15, 2007 requesting the tribunal to extend the stay until disposal of the appeal. The CESTAT, New Delhi has, pursuant to its Miscellaneous Order No. 538-540/07 Ex dated June 27, 2007, granted stay and extended such stay until the final disposal of appeals, and allowed the miscellaneous applications.

There are similar proceedings pending before the CESTAT relating to our Thanabhawan factory and our Bilai factory involving amounts of Rs.19.05 million and Rs.16.57 million, respectively.

The Commissioner, Customs and Central Excise, Meerut-I has issued a show cause notice dated April 29, 2008 stating that CENVAT credit availed of by the Company's Bhaiana Unit at Budhana on various inputs and capital goods had been wrongly availed. In the show cause notice, it is stated why: (i) the irregular credit of excise of Rs.7.13 million in total should not be demanded and recovered under Rule 14 of the CCR read with Section 11A of the CEA, along with interest under Section 11AB of the CEA read with Rule 14 of the CCR, and further (ii) a penalty under Rule 15(1) of the CCR should not be imposed. In its reply dated June 6, 2008 to the Commissioner, Customs and Central Excise, Meerut-I, the Company has stated it had made some addition to the existing plant of its sugar mill, for which it procured various steel materials needed for manufacture and fabrication. The Company has prayed for dropping of the show cause notice and grant of personal hearing, before the case is adjudicated. The Commissioner, Customs and Central Excise, Meerut-I has decided that since similar matters are sub-judice before the CESTAT, New Delhi, the present matter would be kept in the call book until the final disposal by the CESTAT.

Other Material Proceedings

The Company has filed a writ petition No. 1317 of 2000 before the Lucknow Bench of the Allahabad High Court challenging the order of the revenue authority passed on February 25, 2001. The revenue authority had rejected the stamp duty relating to the sale deeds executed by farmers in favour of the Company at Golagokarannath in the Lakhimpur Kheri district. In the sale deeds, the purpose of the purchase of land has not been clarified. Proceedings under Section 47A of the Indian Stamp Act, 1899 were initiated in which the land was presumed to be industrial land, purchased for installing sugar units. The Company contended that such land was agricultural, not industrial. Stay has been granted in the Company's favour. If the matter is decided against the Company, it will result in a liability of approximately Rs.6.28 million.

A claim of approximately Rs.3.65 million has been made against the Company in 2008 by the legal heir of a person, whose death was allegedly caused by an accident involving two vehicles owned by the Company at its Kinauni unit. The matter is pending before the Motor Accidents Claim Tribunal.

Mata Santoshi International Marketing Private Limited has filed a civil suit No. 6816 of 1999 against the Company before the High Court of Judicature at Bombay for damages of approximately Rs.2.55 million based on the alleged failure of the Company to meet certain specifications in the supply of rectified spirit.

Criminal Proceedings against the Company or its officers

During the 2006-2007 and 2007-2008 crushing seasons, 54 criminal cases were registered against the officers of the Company on various matters relating to non-payment of sugarcane price and payment of interest thereon. Criminal cases filed against the Company's officers also included several cases of underweighing of sugarcane. Stay from arrest was granted by the Allahabad High Court in all matters. Upon investigation, no case has been made out in 47 matters. Investigations are still underway in 7 matters. None of the directors of the Company have been accused in any of these matters.

Other matters:***Against the Company***

85 labour cases are pending against the Company at various courts, tribunals or adjudicating authorities. These matters primarily relate to labour hired through contractors and the Company's involvement is limited to being the principal employer and the Company is entitled to be indemnified from the contractors to the extent of loss if any suffered by it.

47 matters are pending against the Company before various courts or authorities relating to small pieces of land/ resumption of land etc. at various locations.

57 other matters of various natures like accident claims, consumer cases, non-fulfilment of contractual obligations etc. are pending against the Company at various courts or forums. No financial liability is likely to arise in these matters.

The Company is a respondent in 7 writ petitions filed by various persons before the Allahabad High Court on October 21, 2008 challenging the notification dated March 13, 2008 issued by the Governor of Uttar Pradesh, in exercise of his powers under Section 28 of the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953, whereby the U.P. Sugarcane (Regulation of Supply and Purchase) Rules, 1954 (the "Rules") was amended. The Company had issued a notice dated July 25, 2008 pursuant to such notification to the weighment clerks directing them to make such payments, which was also challenged in these writ petitions. These writ petitions were concerned with the amendments made in Rules 87-89 of the Rules, where the license fee is specified. Under the earlier Rules, the license fee was Re. 1 and the amount of security was Rs.500, to be paid by weighment clerks. Pursuant to the amendment, the license fee had been increased to Rs.500 and the amount of security, to Rs.20,000. The petitioners, who were weighment clerks, claimed that such amendment was arbitrary in nature and without jurisdiction. The High Court has dismissed such petitions pursuant to its order dated May 13, 2009. In case the Government does not restore the old notification, the Company will be liable to deposit a sum of approximately Rs.16.48 million during the next crushing season.

By the Company

The Company has filed 22 matters of civil or criminal nature against various persons at various courts/ authorities.

The Company has filed a writ petition before the Allahabad High Court, Lucknow Bench, challenging the illegal and arbitrary retrospective enhancement of siding maintenance charges imposed by the railways administration. The Company had entered into an agreement with the President of India, acting through the Additional Chief Commercial Superintendent of the North Eastern Railway Administration on November 10, 1962, August 24, 1976 and October 1, 1983 in respect of its Golagokarannath and Palia Kalan units, respectively. The railway administration had enhanced the siding maintenance charges and were enhancing every 5 years. Pursuant to a letter dated May 24, 2004 issued by the Chief Engineer, North Eastern Railway, Gorakhpur, railway authorities revised charges of maintenance of private siding with retrospective effect with effect from April 1, 1992, April 1, 1997 and April 1, 2002. The demand for the retrospective revision has been stayed by the Allahabad High Court, Lucknow Bench. However, such court has directed the Company to pay enhanced siding charges for the current period. In case the court decides against the Company, it shall be required to pay approximately Rs.3.12 million.

A recovery certificate dated July 1, 2008 was issued by the Cane Commissioner, State of Uttar Pradesh, for payment of cane price. A copy of such certificate was forwarded to the Collector and District Magistrate for recovery of the amount mentioned in the certificate as arrears of land revenue. However, such certificate was not served by the District Magistrate upon the Company. On July 2, 2008 there was a news item relating to the issue of such recovery certificate against the Company. On July 2, 2008, the Additional District Magistrate, along with the Tehsildar, seized the properties of the Company at its Kinauni unit. On July 3, 2008, a news item was published stating that the District Magistrate was going to auction the

property seized on July 15, 2008. The Company filed a writ petition No. 33198 of 2008 before the Allahabad High Court against the recovery certificate dated July 1, 2008, attachment dated July 2, 2008 and auction dated 17 July 2008, along with an application for interim relief. The Allahabad High Court has stayed the actions against the Company. The matter is pending and would amount to a liability of approximately Rs.7.37 million for the Company, if decided against the Company.

Proceedings involving BHSIL

BHSIL, our Subsidiary is also engaged in similar activities as the Company. Accordingly, it will be directly impacted by the SAP and de-licensing matters discussed above. BHSIL is also a party in the proceedings in relation to SAP.

Criminal cases against BHSIL and its officers

During the 2006-2007 and 2007-2008 crushing seasons, 17 criminal cases were registered against the officers of BHSIL on various matters relating to non-payment of sugarcane price and payment of interest thereon. Criminal cases filed against BHSIL's officers also included several cases of under weighing of sugarcane. Stays from arrest were granted by the Allahabad High Court in all such matters. Upon investigation, no case has been made out in 9 matters. Charge-sheet has been filed in 8 matters, which are under adjudication. None of the directors of BHSIL have outstanding criminal cases registered against them.

Criminal cases filed by BHSIL

BHSIL has also filed 4 criminal cases under various provisions of the Indian Penal Code, 1860, against several persons for breach of peace, quarrelling on our factory premises, etc. These matters are under investigation.

Proceedings relating to Indirect Taxation

A demand of approximately Rs.3.62 million has been raised by the central excise authorities against the heavy drainage or leakage of molasses caused due to damage to a molasses storage tank at the Kundarkhi unit of BHSIL. On February 12, 2008, one of BHSIL's molasses storage tanks suffered a damage which resulted in heavy leakage of molasses stored in it. After securing permission from the Deputy Commissioner, State Excise, Uttar Pradesh, Gonda, for storing the scattered molasses in to a "Kaccha Pit" to prevent a further loss of molasses, BHSIL collected such scattered molasses and then transferred it to its Rudauli distillery pursuant a permission granted by the State Excise Controller of Molasses U.P., Allahabad pursuant to a letter dated March 5, 2008. Subsequently, an application for remission of Central Excise Duty and Cess on molasses lost or destroyed by natural causes, was filed before the Hon'ble Commissioner of Central Excise, Allahabad on May 22, 2008 under Rule 21 of the Central Excise Rules, 2002, which was rejected by the relevant department. Further, a show cause notice dated December 17, 2008 was issued against such application claiming violation of Rules 4, 8, 10 and 11 of the Central Excise Rules, 2002, proposing recovery of duty under Section 11A(1) of the CEA and the penalty under section 11 AC of the CEA, read with Rule 25 of the Central Excise Rules, 2002. BHSIL has submitted a response dated February 9, 2009 to such show cause notice praying for, *inter alia*, the dropping of such show cause notice and the grant of a personal hearing before such case is adjudicated upon. The matter is presently under adjudication.

Other matters

43 labour matters have been filed against BHSIL before various courts, tribunals or forums relating to appointment, non-appointment, conditions of service etc. No financial implications are expected.

23 cases have been filed against BHSIL in various courts relating to land matters. No financial implications are expected.

16 cases are pending before various courts/ adjudicating authorities relating to non-payment of sugarcane price, forfeiture of security, accident claims, etc. No financial implications are expected.

None of the other legal proceedings to which the Company is currently a party, if adversely determined, is likely to have a material adverse effect on our consolidated financial condition or results of operations.

GENERAL INFORMATION

The Company was incorporated under the laws of the Republic of India on November 24, 1931 as The Hindusthan Sugar Mills Limited. In 1988, The Hindusthan Sugar Mills Limited was renamed Bajaj Hindusthan Limited (“BHL”) and Sharda Sugar & Industries Limited, a subsidiary of BHL, was merged with BHL in 1990. As of the date of this Preliminary Placement Document, the Company’s authorized share capital is Rs.800 million comprising 300 million Equity Shares of face value Re. 1 each and 500 million unclassified shares of face value Re. 1 each, and the issued and paid-up share capital is 141,407,111 Equity Shares.

The Company’s Registered Office is located at Bajaj Bhawan, 2nd Floor, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021, India and its corporate office is located at Bajaj Hindusthan Limited, Bajaj Bhawan, B-10 Jamnalal Bajaj Marg, Sector – 3, Noida 201 301, Uttar Pradesh, India.

The Main Objects Clause of the Company is set forth below:

- To carry on business of manufacturers of and dealers in all kinds of sugar, gur and sugar and gur preparations.
- To plant, grow, buy, sell, refine, prepare for market, manipulate, import, export and deal in sugar and gur of all kinds.
- To carry on the business of planters and cultivators of sugar plants and any other plants producing anything of a similar character.

The Issue was authorized and approved by the Company’s Board of Directors on December 21, 2008 and approved by its shareholders on March 24, 2009.

The Company shall apply for in-principle approval to list the Equity Shares on the BSE and the NSE.

Copies of the Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) during the offering period at the Registered Office.

The Company has obtained all statutory consents, approvals and authorizations required in connection with this Issue.

Other than as set forth in this Preliminary Placement Document, there has been no significant change in the Company’s financial position since March 31, 2009, the date of its last published unaudited financial results.

Except as disclosed in this Preliminary Placement Document, the Company is not involved in any legal proceeding and the Company is not aware of any threatened legal proceeding, which if determined adversely, could result in a material adverse effect on the business, financial condition or results of operations of the Company and its Subsidiaries taken as a whole.

Dalal & Shah, Chartered Accountants, have audited the consolidated financial statements of the Company as of and for the years ended September 30, 2006, 2007 and 2008 and have reviewed the consolidated financial statements of the Company as of and for the six months ended March 31, 2008 and 2009, and have consented to the inclusion of their report in this Preliminary Placement Document.

The Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.

The Floor Price for the Issue is Rs. 203.83 per Equity Share.

INDEPENDENT ACCOUNTANTS

Dalal & Shah, Chartered Accountants, have audited the consolidated financial statements of the Company as of and for the years ended September 30, 2006, 2007 and 2008 and have reviewed the consolidated financial statements of the Company as of and for the six months ended March 31, 2008 and 2009.

SUMMARY OF SIGNIFICANT DIFFERENCES AMONG INDIAN GAAP, IFRS AND U.S.GAAP

The audited consolidated financial statements of the Company appearing in this document have been prepared in accordance with the accounting principles generally accepted in India (“Indian GAAP”), which differ in certain respects from International Financial Reporting Standards (“IFRS”) and accounting principles generally accepted in the United States (“U.S. GAAP”).

Accounting principles and auditing standards and their application in practice vary significantly among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than India. In addition, the procedures and practices followed in India to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Indian accounting principles and auditing standards and their application in practice. We have made no attempts to identify or quantify all such differences and Indian GAAP does not require a quantification of differences.

Certain differences exist between Indian GAAP, IFRS and U.S. GAAP, which might be material to the financial information herein. The Company has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Indian GAAP, IFRS and U.S. GAAP, and how those differences might affect the financial information herein.

The following table summarizes certain differences between Indian GAAP, IFRS and U.S. GAAP insofar as they are relevant to the consolidated financial statements of the Company in accordance with Indian GAAP presented in this Preliminary Placement Document. The summary does not address restated unconsolidated/consolidated financial information prepared pursuant to SEBI requirements.

The Company has not prepared financial statements in accordance with IFRS or U.S. GAAP. Accordingly, there can be no assurance that the table below is complete, or that the differences described would give rise to the most material differences between Indian GAAP, IFRS and U.S. GAAP. In addition, the Company cannot presently estimate the net effect of applying IFRS or U.S. GAAP on the results of operations or financial position, which may result in material adjustments when compared to Indian GAAP.

The discussion herein includes various Indian GAAP, IFRS and U.S. GAAP pronouncements issued for which the mandatory application dates is later than the reporting dates in this Preliminary Placement Document. Indian GAAP comprises of accounting standards issued by the Institute of Chartered Accountants of India (ICAI) (“Indian Accounting Standards”), certain provisions of the Companies Act of India and as amended, and certain provisions of listing agreement with the stock exchanges of India. In certain cases, the Indian GAAP description also refers to Guidance Notes issued by the Institute of Chartered Accountants of India that are recommendatory but not mandatory in nature and also certain accounting treatments specified by a Court Order in a Scheme of Amalgamation/ Arrangement

The above, together with standards that are in the process of being developed in each of these jurisdictions, could have a significant impact on future comparisons between Indian GAAP, IFRS and U.S. GAAP.

	INDIAN GAAP	IFRS	U.S. GAAP
1. Basis of presentation	Financial statements must comply with Indian GAAP.	Financial statements must comply with IFRS. Generally, non-consolidated financial statements are not presented.	Financial statements must comply with U.S. GAAP and if a public company, the SEC’s rules, regulations and financial interpretations. Generally, non-consolidated financial statements are not presented.

	INDIAN GAAP	IFRS	U.S. GAAP
2.Contents of financial statements — General	Balance sheet, profit and loss account, cash flow statement, significant accounting policies and notes are presented for the current year, with comparatives for the previous year. The Company has elected to present three years of financial information.	Comparative two years of balance sheets, income statements, cash flow statements, changes in shareholders' equity and significant accounting policies and notes.	Similar to IFRS, except three years required for public companies for all statements except balance sheet where two years are provided. Specific accommodations in certain circumstances for foreign private issuers that may offer relief from the three-year requirement.
3.Balance sheet	The Companies Act prescribes the balance sheet format; short-term/long-term distinction is only required for certain balance sheet items.	Does not prescribe a particular format; entities should present a classified balance sheet. Assets and liabilities should be disclosed in an order which reflects their relative liquidity with current and non-current classification. Certain items must be presented on the face of the balance sheet.	Does not prescribe a particular format; entities should present a classified balance sheet. Items on the face of the balance sheet are generally presented in decreasing order of liquidity with current and non-current classification. Public companies must follow SEC guidelines regarding minimum disclosure requirements.
	No separate disclosure on the face of the balance sheet is required for restricted accounts.		Restricted accounts are disclosed separately on the face of the balance sheet.
4.Income statement	No prescribed format for the profit and loss account but there are disclosure norms for certain income and expenditure items.	Does not prescribe a standard format, although expenditure must be presented in one of two formats (function or nature). Certain items must be presented on the face of the income statement.	Present as either a single-step or multiple-step format. Expenditures must be presented by function.
5.Cash flow statements — format and method	Standard headings, but limited flexibility of contents. Use direct or indirect method. However for listed companies, only indirect method is required.	Similar to Indian GAAP, except no specific requirement for listed companies.	Similar headings to IFRS, but more specific guidance for items included in each category.
	Reconciliation of profit or loss and cash flow from operating activities may begin with net profit or loss before tax or after tax.	Reconciliation of profit or loss and cash flow from operating activities may begin with profit or loss before tax or after tax/net income.	Reconciliation of profit or loss to cash flow from operating activities may begin with net income only.
6.Cash flow statements —	Cash and cash equivalents	Similar to Indian GAAP,	Similar to Indian GAAP,

	INDIAN GAAP	IFRS	U.S. GAAP
definition of cash and cash equivalents	include short term highly liquid investments with original maturities of three months or less, stamps in hand, cheques in hand, books overdrafts, cash credit balances and balances with banks. Restricted or encumbered cash included in cash and bank balances do not form a part of cash and cash equivalents.	except that cash credit balances are excluded.	except that cash credit balances and overdrafts are excluded.
	Cash and bank balances are disclosed on the face of the balance sheet. Cash and bank balances exclude book overdrafts and cash credit balances.	Cash and cash equivalents are disclosed on the face of the balance sheet.	Similar to IFRS.
7.Cash flows — classification of specific items	(i)Interest paid — Financing activities.	(i)Interest and dividend paid — Operating or financing activities	(i)Interest paid - Operating activities.
	(ii)Interest and dividend received — Investing activities.	(ii)Interest and dividend received — Operating or investing activities.	(ii)Interest and dividend received - Operating activities.
	(iii)Taxes paid — Operating — unless specific identification with financing or investing.	(iii)Taxes paid — Similar to Indian GAAP.	(iii)Taxes paid - Operating activities. Supplementary disclosure required.
8.Statement of Changes in Shareholder's Equity	No separate statement required. However, any adjustments to equity and reserve account are shown in the schedules/ notes accompanying the financial statements. Changes in shareholders' equity are disclosed in separate schedules of 'Share Capital' and 'Reserves and Surplus'.	The statement shows capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity. The statement must be presented as a primary statement, except when a Statement of recognized income and expense is presented; in this case, only disclosure applies.	Similar to IFRS, except that the statement is presented as a primary statement; SEC rules allow certain information to be included in the notes and not in the primary statement.
9.Comprehensive income	No concept of comprehensive income.	The total of gains and losses recognized in the period comprises net income and the following gains and losses recognized directly in equity: ●Fair value gains (losses) on land and buildings, available for sale investments and certain	Comprehensive income is divided into net income and other comprehensive income. An enterprise that has no items of other comprehensive income in any period presented is not required to report comprehensive income. Items included in other

	INDIAN GAAP	IFRS	U.S. GAAP
		financial instruments; ● Foreign exchange translation differences; ● The cumulative effect of changes in accounting policy; and ● Changes in fair values on certain financial instruments if designated as cash flow hedges, net of tax, and cash flow hedges reclassified to income and/ or the relevant hedged asset/liability. Recognized gains and losses can be presented either in the notes or separately highlighted within the primary statement of changes in shareholders' equity.	comprehensive income shall be classified based on their nature. For example, under existing accounting standards, other comprehensive income shall be classified separately into: ● cumulative foreign currency translation adjustments; ● minimum pension liability adjustments; ● changes in the fair value of cash flow hedges and net investment hedges; and ● unrealized gains and losses on certain investments in debt and equity securities.
10. Correction of fundamental errors	Include effect in the current year income statement. The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on current profit or loss can be perceived.	Restatement of comparatives is mandatory.	Similar to IFRS.
11. Changes in accounting policies	Include effect in the income statement of the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact needs to be disclosed.	Restate comparatives and prior-year opening retained earnings.	Generally similar to IFRS in respect of accounting changes that are made in fiscal years beginning after December 15, 2005.
12. Contents of financial statements — Disclosures	Generally, disclosures are not as extensive as required under IFRS and U.S. GAAP. Disclosures are driven by the requirements of the Companies Act and the accounting standards.	In general, IFRS has extensive disclosure requirements. Specific items include, among others: the fair values of each class of financial assets and liabilities, customer or	In general, U.S. GAAP also has extensive disclosure requirements. Areas where U.S. GAAP requires specific additional disclosures include, among others: concentrations of credit

	INDIAN GAAP	IFRS	U.S. GAAP
		<p>other concentrations of risk, income taxes and pensions.</p> <p>Other disclosures include amounts set aside for general risks, contingencies and commitments and the aggregate amount of secured liabilities and the nature and carrying amount of pledged assets.</p>	<p>risk, segment reporting, significant customers and suppliers, use of estimates, income taxes, pensions and comprehensive income.</p>
13. Current/Non current distinction	<p>No strict distinction between current and non-current. Companies follows format prescribed by companies ACT 1956 or industry regulation.</p> <p>Long term loans are classified as secured and unsecured loan on the balance sheet date, however current and non current portion is disclosed in the notes.</p>	<p>Current assets include account receivable within 12 month, cash and cash equivalent, assets held for trading, other assets held for sale or consumed in the normal course of entity's operating cycle.</p> <p>Current liabilities would include liabilities held for trading of expected to be realized within 12 month of balance sheet date.</p> <p>Interest bearing liabilities are classified as current when they are due to be realized or settled within 12 month of the balance sheet date, even if the original term was for a period of more than 12 month.</p>	<p>The requirement is similar to IFRS if a classified balance sheet is presented with few exceptions.</p>
14. Minority Interest	<p>Minority interest is presented separately from liabilities and equity.</p>	<p>Minority interest is presented as a component of equity.</p>	<p>Minority interest cannot be presented as equity. On adoption of FAS 160, minority interest will be presented as a component of equity.</p>
15. Consolidation	<p>Consolidation is required when there is a controlling interest, directly or indirectly through subsidiaries, by virtue of holding majority voting shares or control over board of directors.</p> <p>The existence of currently exercisable potential voting rights is not taken into consideration.</p>	<p>The consolidated financial statements include all enterprises that are controlled by the parent.</p> <p>Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise unless, in exceptional circumstances, it can be</p>	<p>A bipolar consolidation model is used, which distinguishes between a variable interest model and a voting interest model.</p> <p>A company must first evaluate whether the potential subsidiary is a variable interest entity ("VIE"). If the entity is a VIE, the Company must evaluate the potential subsidiary under the FIN</p>

	INDIAN GAAP	IFRS	U.S. GAAP
		<p>clearly demonstrated that such ownership does not constitute control. The existence of currently exercisable potential voting rights is also taken into consideration.</p> <p>Control can also exist in certain situations where the parent owns one half or less of the voting power of an enterprise but has legal or contractual rights to control, or de facto control (rare circumstances).</p>	<p>46R <i>Consolidation of Variable Interest Entities</i> (“FIN 46R”) model. If the potential subsidiary is not a VIE, the Company should evaluate the consolidation of the potential subsidiary under the provisions of SFAS 94 <i>Consolidation of All Majority Owned Subsidiaries</i> (“SFAS 94”).</p> <p>SFAS 94 states that all majority-owned subsidiaries (i.e., all companies in which a parent has a controlling financial interest through direct or indirect ownership of a majority voting interest) must be consolidated unless control does not rest with the majority owner. Control can be direct or indirect and may exist with a lesser percentage of ownership (voting interest model). ‘Effective control’, which is a similar notion to de facto control under IFRS, is very rare.</p>
16. Special purpose entities (“SPE”)	<p>There is no specific literature or requirement to consolidate special purpose entities. Accordingly, the Company has not evaluated its legal / contractual relationships to assess any requirement for consolidation.</p>	<p>Consolidated where the substance of the relationship indicates control.</p>	<p>Variable interest entities are consolidated when the entity has a variable interest that will absorb the majority of the expected losses, receive a majority of the expected returns, or both.</p> <p>A variable interest changes with a change in an entity's net asset value and are the means through which expected losses are absorbed and expected residual returns are received.</p> <p>Under the Variable interest model, the party exposed to the majority of the risks and rewards is the primary beneficiary</p>

	INDIAN GAAP	IFRS	U.S. GAAP
			and must consolidate the entity regardless of the ownership interest. If a SPE meets the definition of a qualified SPE (QSPE), the transferor does not consolidate the QSPE.
17. Business Combinations	<p>No comprehensive accounting standard on business combinations. All business combinations are recognized at book value except amalgamation of entities under purchase method of accounting and business acquisition comprising of assets and liabilities only. An entity acquired, other than on amalgamation, is taken at book value (actual cost incurred for acquiring the entity) for the purpose of consolidation. No fair value adjustments are considered in the consolidated accounts for such acquired entities. On consolidation, the assets and liabilities of the acquired entity are incorporated at their existing carrying amounts.</p> <p>For acquisitions by way of amalgamation of an entity, either uniting of interests method or purchase method of accounting is used. On amalgamation, they may be incorporated at their existing carrying amounts or, alternatively, the consideration is allocated to individual identifiable assets and liabilities on the basis of their fair values. However, a court order approving an amalgamation may provide different and / or additional accounting</p>	<p>All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities of acquired entity are fair valued. If control is obtained in a partial acquisition of a subsidiary, the full fair value of assets, liabilities and contingent liabilities, including portion attributable to the minority (non-controlling) interest, is recorded on consolidated balance sheet. Goodwill is recognized as the residual between the consideration paid and the percentage of business acquired.</p>	<p>All business combinations are treated as acquisitions. Assets and liabilities acquired are measured at their fair values. Pooling of interest method is prohibited. Specific rules for acquired in-process research and development (generally expensed) and contingent liabilities.</p>

	INDIAN GAAP	IFRS	U.S. GAAP
	entries. A business acquisition (i.e. assets and liabilities only) is treated as acquisition. On business acquisition, they may be incorporated at their fair values or value of surrendered assets.		
	No specific restructuring provision is recognized on acquisition.	Liabilities for restructuring activities are recognized only when acquiree has an existing liability at acquisition date. Liabilities for future losses or other costs expected to be incurred as a result of the business combination cannot be recognized.	Some restructuring liabilities relating solely to the acquired entity may be recognized if specific criteria about restructuring plans are met.
	Shares issued as consideration towards business combination are recorded at book value or fair value, which in appropriate cases may be determined/ fixed by statutory authorities.	Shares issued as consideration are recorded at their fair value as at the date of the exchange — the date on which the acquirer obtains control over the acquiree’s net assets and operations. The published price of a share at the date of exchange is the best evidence of fair value in an active market.	Shares issued as consideration are measured at their market price over a reasonable period of time (interpreted to be a few days) before and after the parties reach an agreement on the purchase price and the proposed transaction is announced. The date for measuring the value of marketable securities is not influenced by the need to obtain shareholder or regulatory approval.
	Minority interests at acquisition are stated at minority’s share of pre-acquisition carrying value of net assets.	Minority interests at acquisition are stated at minority’s share of the fair value of acquired identifiable assets, liabilities and contingent liabilities.	Similar to Indian GAAP.
	Generally, goodwill on consolidation and business acquisitions is capitalized but no specific guidance for amortization. Further, goodwill arising on amalgamation under purchase method of accounting is capitalized and amortized for a period not exceeding 5 years, unless a longer	Goodwill is capitalized but not amortized. It is tested for impairment at least annually at either the cash-generating unit (CGU) level or groups of CGUs, as applicable. A CGU is typically at a lower level than a reporting unit, as defined under U.S. GAAP.	Goodwill is capitalized but not amortized. It is tested for impairment at least annually at the reporting unit level. Goodwill is assigned to an entity’s reporting unit (i.e. an operating segment) or one level below (i.e. a component).

	INDIAN GAAP	IFRS	U.S. GAAP
	period can be justified. Goodwill is reviewed for impairment, whenever an indication of impairment exists at the cash-generating unit level.		
	Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognized as capital reserve, which is neither amortized nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.	If fair value exceeds purchase price, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities. Any excess remaining after reassessment is recognized immediately in the income statement.	If fair value exceeds purchase price, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities. Any remaining excess after reassessment is used to reduce proportionately the fair values assigned to non-current assets (with certain exceptions) and any remaining excess thereafter is recognized in the income statement immediately as an extraordinary gain.
	Acquisition of minority interest is accounted for at book value.	Acquisition of minority interest is accounted for at book value.	Acquisition of minority interest is accounted for at fair value similar to accounting for a business combination.
18.Common Control Transactions	No specific guidance on common control transactions. Normal business combination accounting would apply as discussed above.	Not specifically addressed. Entities elect and consistently apply either purchase or pooling-of-interests accounting for all such transactions.	Specific rules exist for accounting for combinations of entities under common control. Such transactions are generally recorded at predecessor cost, reflecting the transferor's carrying amount of the assets and liabilities transferred. The pooling of interest method would be used for business combinations with combined financial statements presented for all periods presented.
	Gain/loss on transfer, as applicable, is recognized in case of common control transactions.		No gain/loss is recognized in case of common control transactions.
19.Provision for diminution in value of investment	Pursuant to a scheme of amalgamation approved by the court, the Company may charge	Similar to U.S. GAAP.	Other than temporary impairment in the value of investments is recognized in the income

	INDIAN GAAP	IFRS	U.S. GAAP
	diminution in the value of any investments/ assets/ loans to its Capital Reserve account, Amalgamation Reserve account and Securities Premium account in this order of utilization.		statement.
20. Revenue recognition — Products	Based on several criteria, which require the recognition of revenue when risks and rewards have been transferred and the revenue can be measured reliably.	Similar to Indian GAAP conceptually, although several differences in detail.	Revenue is recognized when it is realized or realizable and earned. Revenue is generally realized or realizable and earned when all of the four revenue recognition criteria are met: <ul style="list-style-type: none"> ● Persuasive evidence of an arrangement exists; ● Delivery has occurred or services have been rendered; ● The seller's price to the buyer is fixed or determinable; and ● Collectibility is reasonably assured. U.S. GAAP generally requires title transfer prior to revenue recognition and provides extensive detailed guidance for specific transactions.
	Certain discounts and other incentives allowed to customers are recognized as expenses.	Similar to U.S. GAAP.	Generally, all cash incentives provided to customers are recognized as a reduction of revenue.
21. Revenue recognition — Multiple element arrangements	No specific guidance for multiple-element revenue recognition arrangements.	No detailed guidance for multiple-element revenue recognition arrangements exists. The recognition criteria are usually applied separately to each transaction. However, they are applied to two or more transactions together when they are linked in such a way that the whole commercial effect cannot be understood without reference to the series of transactions as a whole.	Revenue arrangements with multiple deliverables should be divided into separate units of accounting if the deliverables in the arrangement meet specified criteria outlined in EITF 00-21 <i>Accounting for Multiple Element Arrangements</i> . The arrangement consideration should be allocated among the separate units of accounting based on their relative fair values. Applicable revenue recognition criteria should

	INDIAN GAAP	IFRS	U.S. GAAP
			be considered separately for separate units of accounting.
22. Employee benefits — Defined benefit plans	<p>Liability with regard to Gratuity Plan is determined by actuarial valuation on Balance Sheet date based on the Projected Credit Unit Method and is funded through a scheme administered by an insurer. Contributions towards these schemes are based on the contributions called for by the insurer and the same is debited to the profit and loss account. In addition, at the end of the year, an independent actuarial valuation is obtained and shortfall, if any, as compared to the contributions payable is provided for.</p> <p>With the adoption of AS 15 (Revised), in respect of accounting periods commencing on or after December 7, 2006, the accounting is similar as stated above, except that actuarial gains and losses are recognized in the income statement, as income and expense in the period in which they occur.</p>	<p>Similar to U.S. GAAP, although conceptually several differences in detail. For example, under IFRS, actuarial gains and losses can be recognized upfront in the statement of recognized income and expense or deferred through the income statement in a manner similar to U.S. GAAP.</p>	<p>For gratuity plans, must use the projected unit credit method to determine benefit obligation. Funded status of the plan, measured as the difference between plan assets at fair value (with limited exceptions) and the projected benefit obligation is required to be recognized in the statement of financial position.</p> <p>An amount equal to the “net periodic pension cost” is to be charged to the statement of operations regardless of whether contributions are made during the period. The net periodic pension cost is an actuarially determined amount equal to:</p> <p>(i) the present value of future benefits which have accrued during the period; and</p> <p>(ii) an interest cost component related to the increase in the projected benefit obligation due to the passage of time; less</p>
			<p>(iii) estimated earnings on invested assets segregated to provide future benefits; and</p> <p>(iv) an amortization of previously unrecognized prior service costs, transition assets/ obligations and experience gains/losses.</p>
			<p>If contributions differ from the net pension cost, an asset representing prepaid pension costs or a liability for unfunded accrued pension costs</p>

	INDIAN GAAP	IFRS	U.S. GAAP
			arises and is recorded in the statement of financial position.
23. Employee benefits — Compensated absences	<p>Accrual for Leave Encashment is made on the basis of actuarial valuation done at the balance sheet date. With the adoption of AS 15 (Revised) in respect of accounting periods commencing on or after December 7, 2006, similar to IFRS, compensated absences are required to be segregated between long-term and short-term. Liability for long-term compensated absences is measured using the projected credit unit method. Liability towards short-term compensated absences is measured on an undiscounted basis for services recorded by employees during an accounting period</p>	<p>It qualifies as short-term or other long-term employee benefits. The expected cost of accumulating short-term compensated absences is recognized on an accrual basis. Liability towards long-term compensated absences is measured using the projected credit unit method.</p>	<p>No segregation between short-term and long-term. The expected cost of all the accumulating compensated absences is recognized on an accrual basis. Discounting is permitted in rare circumstances.</p>
24. Property, plant and equipment — Start-up costs	<p>Expenses of revenue nature, which can be regarded as incidental and related to project set-up are transferred to “Preoperative expenses pending capitalization”. These expenses are allocated to fixed assets in the year of commencement of the related project.</p>	<p>Start-up and pre-production costs are not capitalized unless they are a necessary part of bringing the asset to its working condition.</p>	<p>Similar to IFRS.</p>
25. Property, plant and equipment — Revaluation	<p>Certain assets are carried at revalued amounts. The resultant increase in carrying amounts is credited to the revaluation reserve. There is no requirement on frequency of revaluation.</p>	<p>Historical cost or revalued amounts are used. Regular valuations of entire classes of assets are required when revaluation option is chosen.</p>	<p>Historical cost is used; revaluations are not permitted.</p>
26. Impairment of Property, plant and equipment	<p>If impairment is indicated, write down assets to recoverable amount which is the higher of net selling price</p>	<p>Similar to Indian GAAP.</p>	<p>For assets to be held and used, impairment review based on undiscounted cash flows. If the undiscounted cash flows</p>

	INDIAN GAAP	IFRS	U.S. GAAP
	and value in use based on discounted cash flows. If no loss arises, reconsider useful lives of those assets.		are less than the carrying amount, measure the impairment loss using market value or discounted cash flows.
	Impairment loss is recorded in the income statement. Reversal of loss is permitted in certain cases.		Impairment loss is recorded in the income statement. Reversals of impairment losses are prohibited.
27. Depreciation	The Company provides depreciation on straight-line method over the estimated useful lives of the assets, which are not lower than the rates prescribed under Schedule XIV to the Companies Act, 1956. Assets costing less than Rs. 5,000 are depreciated at 100%.	Allocated on a systematic basis to each accounting period over the economic useful life of the asset.	Similar to IFRS. However, revaluation is not permitted.
	Depreciation relating revalued amounts is adjusted against the revaluation reserve.	In respect of revalued assets, full depreciation charge is recognized in the income statement. However, the amount of the revaluation surplus represented by the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost, may be transferred to retained earnings. Transfers from revaluation surplus to retained earnings are not made through profit or loss.	
28. Borrowing costs	Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying assets for its intended use or sale are complete.	The benchmark treatment is to recognize borrowing costs as an expense in the period in which they are incurred. Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset.	Similar to Indian GAAP.

	INDIAN GAAP	IFRS	U.S. GAAP
29.Loan Origination Costs	No specific guidance for accounting for loan origination costs. Generally, loan origination costs are expensed as incurred.	Debt issue costs should be deferred and amortized as an adjustment to yield. Amortization should be done based on the interest method, but other methods may be used if the results are not materially different from the interest method.	Similar to IFRS.
30.Share issue expenses	Share issue expenses are amortized over a period of 5 to 10 years	The transaction costs of an equity transaction should be accounted for as a deduction from equity, net of any related income tax benefit. The costs of a transaction which fails to be completed should be expensed.	Similar to IFRS
31.Deferred revenue expenditure	It is permissible to amortize certain revenue expenditure from the year they have been incurred / related projects commence operations, over 3 to 5 years based on the period over which future benefits are expected to be received. With effect from April 1, 2003, such expenditure can be capitalized only if it meets the definition and recognition criteria for intangible assets. Generally such expenditure is expensed as incurred.	Generally expensed as incurred, since it does not meet the recognition criteria for intangible assets.	Similar to IFRS.
32.Preliminary expenses	It is permissible to amortizes expenses incurred for incorporation of an entity / start up of operations, over a period of 5 to 10 years.	Similar to US GAAP.	Start-up costs are expensed as incurred.
33.Acquired Intangible Assets and Impairment of Intangible Assets	Intangible assets are recognized if they are separately identifiable and the Company controls the future economic benefits arising out of them. Intangible assets are stated at cost less accumulated amortization and impairment.	Acquired intangible assets are capitalized, if recognition criteria are met. Intangible assets assigned definite-lives are amortized over useful lives. Intangible assets assigned an indefinite useful life are not amortized, but reviewed	Similar to IFRS, although the level of impairment testing and the impairment test itself are different. Reversal of impairment losses are prohibited and indefinite-lived intangible assets are tested for impairment separately from the

	INDIAN GAAP	IFRS	U.S. GAAP
	<p>The Company amortizes software over a period of 5 years.</p> <p>These intangible assets are assessed for any indication of impairment at the end of each financial year. If impairment is indicated, assets are written down to recoverable amount which is the higher of net selling price and value in use based on discounted cash flows. If no loss arises, useful lives of those assets are reconsidered. Impairment loss is recorded in the income statement. Reversal of loss is permitted in certain cases.</p>	<p>at least annually for impairment. Indefinite-lived assets are reviewed for impairment at either the cash-generating unit (CGU) level or groups of CGUs, as applicable. In case of reversal of impairment losses, similar to Indian GAAP.</p>	<p>reporting unit.</p>
	<p>Revaluations are not permitted.</p>	<p>Revaluations are permitted in rare circumstances.</p>	<p>Similar to Indian GAAP.</p>
34. Internally generated intangible assets	<p>Similar to IFRS.</p>	<p>Research costs are expensed as incurred. Development costs are capitalised and amortised only when specific criteria are met.</p>	<p>Research and development costs are expensed as incurred. Some software and website development costs are capitalised.</p>
35. Finance leases	<p>Assets acquired on finance lease are recognized in the financial statements with a corresponding obligation to pay future rentals, at an amount equal to the lower of the fair value of the asset and the present value of the minimum lease payments at the lease inception. The asset is depreciated over its useful life or the lease term if shorter. The interest rate implicit in the lease must normally be used to calculate the present value of the minimum lease payments. If the implicit rate is unknown, the lessee's incremental borrowing rate may be used.</p>	<p>Similar to the Indian GAAP treatment.</p>	<p>Similar to IFRS, except that the lessee's incremental borrowing rate must be used to calculate the present value of the minimum lease payments, excluding the portion of payments representing executory costs unless it is practicable to determine the rate implicit in the lease and the implicit rate is lower than the incremental borrowing rate. In addition, U.S. GAAP provides certain specific tests in determining whether lease is a finance lease or an operating lease.</p>

	INDIAN GAAP	IFRS	U.S. GAAP
36. Investments	<p>Investments are classified into current investments and long-term investments.</p> <p>Current investments are carried at lower of cost and fair value.</p> <p>Long-term investments are carried at cost.</p> <p>Provision for diminution is made to recognize a decline, other than temporary, in the carrying value of each investment.</p>	<p>Investments in listed securities are classified as held-to-maturity, available-for-sale or trading at acquisition.</p> <p>Investments classified as held-to-maturity are recorded at amortized cost less impairment, if any.</p> <p>Realized gains and losses are reported in earnings.</p> <p>Investments classified as available-for-sale are reported at fair value.</p> <p>Unrealized gains and losses on the change in fair value are reported in equity, less impairment, if any.</p> <p>Investments classified as trading are reported at fair value with unrealized gains and losses included in earnings.</p> <p>Investments in unlisted equity securities are recorded at cost less impairment, if any.</p> <p>There is an option in IFRS to classify any financial asset at 'fair value through profit or loss'. Changes in fair value in respect of such securities are recognized in the income statement.</p> <p>This is an irrevocable option to classify a financial asset at fair value through profit or loss.</p> <p>Fair value is determined as of the reporting date.</p>	<p>Similar to IFRS with some detailed differences in application, for example, no ability to designate financial assets at 'fair value through profit or loss' except certain hybrid financial instruments with the adoption of FAS 155 effective from fiscal year that begins after 15 September 2006.</p> <p>However, effective as of the beginning of a reporting entity's first fiscal year that begins after November 15, 2007, U.S. GAAP provides an irrevocable option to measure eligible financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are required to be recognized in earnings at each subsequent reporting date.</p> <p>Investments in unlisted equity securities are recorded at cost less impairment, if any.</p> <p>Fair value is determined as of the reporting date.</p>
37. Employee share (stock) trusts	Employee share trusts are not consolidated.	Consolidated where substance of relationship indicates control (SIC-12 model). Entity's own shares held by an employee share trust are accounted for as treasury shares.	Similar to IFRS, except where specific guidance applies for Employee Stock Ownership Plans (ESOPs) in SOP 93-6.
38. Foreign currency transactions	Transactions in foreign currency are accounted for at the exchange rate prevailing on the	Transactions in foreign currency are accounted for at the exchange rate prevailing on the	Similar to IFRS.

	INDIAN GAAP	IFRS	U.S. GAAP
	<p>transaction date. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the reporting date are translated at exchange rates prevailing at the reporting date. The difference in translation of monetary assets and liabilities and realized gains and losses on foreign exchange transactions are recognized in the income statement, except in respect of Long Term Liabilities, incurred for acquisition of capital assets for the accounting period commencing on or after December 7, 2006 are as permitted by Notification dated March 31, 2009 issued by the Central Government, carried to cost of asset and depreciated over the balance life of the asset</p>	<p>transaction date. Foreign currency assets and liabilities are restated at the year-end exchange rates and gains/losses arising on account of the same are taken to the income statement.</p>	
39.Provisions	<p>A provision is recognized when there is a present obligation as a result of past events and it is probable that an outflow of a resource will be required to settle the obligation, in respect of which a reliable estimate can be made.</p>	<p>Similar to Indian GAAP, except that discounting is required if effect is material.</p>	<p>Similar to Indian GAAP. Specific rules provided for specific situations (employee termination costs, environmental liabilities, loss contingencies, etc).</p>
	<p>Discounting is not permitted.</p>		<p>Discounting required only when timing of cash flows is fixed. In respect of Income Tax Uncertainties, with effect from fiscal years beginning after December 15, 2006, a tax benefit may be reflected in the financial statements only if it is “more likely than not” that the company will be able to sustain the tax return position, based on its technical merits. A</p>

	INDIAN GAAP	IFRS	U.S. GAAP
			tax benefit should be measured as the largest amount of benefit that is cumulatively greater than 50-percent likely to be realized.
40. Financial Guarantees	Requires disclosure of financial guarantees in the financial statements.	Record guarantee contracts at fair value upon initial recognition. Subsequent measurement of the higher of the amount of expenditure needed to settle the obligation (measured under IAS 37) and the amount initially recognized less cumulative amortization, when appropriate, under IAS 18. However, if the financial guarantee qualifies as an insurance contract, an entity may choose an accounting policy based on either the International Accounting Standards Board (“IASB”) Framework for the Preparation and Presentation of Financial Statements or the entity's existing policy if management considers it relevant and reliable. The liability adequacy test specified by IFRS 4 may be particularly relevant if the entity's accounting policies do not require it to recognize a liability at inception.	At the inception of a guarantee, the guarantor shall recognize in its statement of financial position a liability for that guarantee. The objective of the initial measurement of the liability is the fair value of the guarantee at its inception.
41. Government grants	Two broad approaches may be followed for the accounting treatment of Government grants: the 'capital approach', under which a grant is treated as part of shareholders' funds, and the 'income approach', under which a grant is taken to income over one or more periods.	Government grants shall be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests.	Similar to IFRS.
42. Warrants against Share	Upfront payments	Similar to Indian GAAP.	Should be initially

	INDIAN GAAP	IFRS	U.S. GAAP
Capital	received in respect of warrants convertible into fixed number of equity shares are recognized as a part of shareholders' funds. No subsequent re-measurement of carrying value is required.		measured at fair value and reported in permanent equity. Subsequent changes in fair value should not be recognized as long as the warrants continue to be classified as equity.
43.Dividend on equity shares	Dividends are recorded as provisions when proposed.	Dividends are recorded as liabilities when declared.	Similar to IFRS.
44.Contingent assets	A possible asset that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. The item is recognized as an asset when the realization of the associated benefit such as an insurance recovery, is virtually certain.	Similar to Indian GAAP, except that certain additional disclosures are required.	Similar to IFRS and Indian GAAP, but the threshold for recognizing insurance recoveries is lower. The recovery is required to be probable (the future event or events are likely to occur) rather than virtually certain as under IFRS and Indian GAAP.
45.Contingent Liabilities	A possible obligation whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits, or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote. Disclosure may be limited compared to IFRS and U.S. GAAP.	Similar to Indian GAAP.	An accrual for a loss contingency is recognized if it is probable (defined as likely) that there is a present obligation resulting from a past event and an outflow of economic resources is reasonably estimable. If a loss is probable but the amount is not estimable, the low end of a range of estimates is recorded. Contingent liabilities are disclosed unless the probability of outflows is remote.
46.Financial liabilities — classification	Generally accepted accounting practice follows legal form rather than substance.	Classify capital instruments depending on substance of the obligations of the issuer.	Generally when an instrument is not a share, it is classified as a liability when an obligation to transfer economic benefit exists.

	INDIAN GAAP	IFRS	U.S. GAAP
47. Financial assets and liabilities — initial measurement	Recognized at historical cost.	Recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.	Similar to IFRS.
		Long term receivables are recognized at fair value, represented by the discounted value of future cash inflows using an imputed rate of interest.	Similar to IFRS.
48. Deferred Income taxes — General considerations	Deferred tax assets and liabilities should be recognized for all timing differences, namely the differences between profit offered for tax and accounting profit that originate in one accounting period and reverse in another, subject to consideration of prudence in respect of deferred tax assets.	Use full provision method (some exceptions), driven by balance sheet temporary differences.	Deferred income tax assets and liabilities are determined using the balance sheet method. The net deferred tax asset or liability is based on temporary differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws.
	Where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is certain that such previously unrecognized deferred tax assets will be realized.	Recognize deferred tax assets if recovery is probable.	A valuation allowance should be recorded against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized.
	Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the balance sheet date.	Similar to Indian GAAP.	Deferred tax assets and liabilities are measured using tax rates that have been enacted by the balance sheet date.
49. Deferred Income taxes — Specific applications	In respect of differences arising on account of	Deferred tax recognized in equity.	Not applicable, as revaluation is prohibited.

	INDIAN GAAP	IFRS	U.S. GAAP
	<p>revaluation of property, plant and equipment, deferred tax is not recognized as considered as permanent difference. For amalgamation of entities under purchase method of accounting, deferred tax is not recognized on step-up of acquired assets/liabilities to fair value.</p>	<p>Deferred tax is recorded unless the tax base of the asset is also stepped up.</p>	<p>Similar to IFRS.</p>
	<p>In respect of undistributed profit of subsidiaries, deferred tax is not recognized as deferred taxes are aggregated from standalone financial statements of all consolidating entities and no adjustment is made on consolidation. Similar rules in case of undistributed profit of associates.</p>	<p>Deferred tax is recognized except when the parent / investor is able to control the distribution of profit and if it is probable that the temporary difference will not reverse in the foreseeable future.</p>	<p>Deferred tax is required on temporary differences arising after 1992 that relate to investments in domestic subsidiaries, unless such amounts can be recovered tax-free and the entity expects to use that method. No deferred taxes are recognized on undistributed profits of foreign subsidiaries that meet the indefinite reversal criterion. Deferred tax is recognized on temporary differences relating to investments in investees.</p>
	<p>Deferred tax is not recognized on share based compensation as it is a permanent difference.</p>	<p>Deferred tax is recognized directly in equity or income statement.</p>	<p>Deferred tax is recognized directly in equity or income statement.</p>
50.Fringe Benefits Tax	<p>Fringe Benefits Tax is disclosed as a separate item after determining profit before tax as a part of Tax expense for the period in which the related fringe benefits are recognized.</p>	<p>Fringe Benefits Tax is included as part of the related expense (fringe benefit) which gives rise to incurrence of the tax.</p>	<p>Similar to IFRS.</p>
51.Post balance sheet events	<p>Adjust the financial statements for subsequent events, providing evidence of conditions at balance sheet date and materially affecting amounts in financial statements (adjusting events). However, non-adjusting events are not required to be disclosed in financial statements but are disclosed in report of</p>	<p>Similar to Indian GAAP. In addition, disclose non-adjusting events.</p>	<p>Similar to IFRS.</p>

	INDIAN GAAP	IFRS	U.S. GAAP
	approving authority e.g. Directors' Report.		
52.Related Party Disclosures	The scope of parties covered under the definition of related party could be less than under IFRS or U.S. GAAP. Unlike IFRS, name of related party is required to be disclosed.	There is no specific requirement in IFRS to disclose the name of the related party (other than the ultimate parent entity). There is a requirement to disclose the amounts involved in a transaction, as well as the balances for each major category of related parties. However, these disclosures could be required in order to present meaningfully the "elements" of the transaction, which is a disclosure requirement.	The nature and extent of any transactions with all related parties and the nature of the relationship must be disclosed, together with the amounts involved. All material related party transactions (other than compensation arrangements, expense allowances and similar items) must be disclosed in the separate financial statements of wholly-owned subsidiaries, unless these are presented in the same financial report that includes the parent's consolidated financial statements (including those subsidiaries).
53.Segment reporting	Report primary and secondary (business and geographic) segments based on risks and returns and internal reporting structure.	Similar to Indian GAAP.	Report based on operating segments and the way the chief operating decision-maker evaluates financial information for purposes of allocating resources and assessing performance. Use internal financial reporting policies (even if accounting policies differ from group accounting policy).
54.Presentation of Exceptional items	Similar to IFRS except that the companies act 1956 uses the term non recurring transaction or transaction of exceptional nature.	The term exceptional items are not used or defined. Separate disclosure is required of items of income and expenses that are of such size, nature or incidence that their separate disclosure is necessary to explain the performance of the entity for the period.	Although US GAAP does not use the term exceptional items, significant, unusual and infrequently occurring items are reported as component of income separate from continuing operation either on the face of income statement or in the notes.
55. Comparative	One year comparative is required for all numerical information in the financial statement with limited exception in disclosures.	One year comparative is required for all numerical information in the financial statement with limited exception in disclosures. In limited	Comparative financial statements are not required however the SEC requirement specify that most registrant provide two years of comparative

	INDIAN GAAP	IFRS	U.S. GAAP
		note disclosure more than one year of comparative information is required.	for all statement except for the balance sheet which requires one comparative year.

FINANCIAL STATEMENTS

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
BAJAJ HINDUSTHAN LIMITED
MUMBAI

- 1) We have examined the Consolidated Balance Sheets of **BAJAJ HINDUSTHAN LIMITED** and its Subsidiaries as at September 30, 2008, September 30, 2007, and September 30, 2006, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statements for the respective years ended on these dates and the accompanying notes and schedules [together comprising with the "Consolidated Financial Statements"] which have been signed under reference of this report. These Consolidated Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our examination.
- 2) These Consolidated Financial Statements are extracted from the Indian Statutory Accounts audited by us and our opinion on the Consolidated Financial Statements stated herein is as stated in the opinion for said financial years. In forming an opinion, we conducted our audit in accordance with the Auditing Standards generally accepted in India. These 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 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 statement presentation. We believe that our audit provided a reasonable basis for our opinion.
- 3) We did not audit the financial statements of three subsidiary companies whose financial statements reflect total assets of Rs.110.04 Million as at September 30, 2008, Rs.102.73 Million as at September 30, 2007, and Rs.76.13 Million as at September 30, 2006 and total Revenues of Rs.NIL Million each for the year ended September 30, 2008, 2007 and 2006 respectively and considered for the purpose of consolidated accounts. Our opinion, in so far as it relates to these subsidiaries is based solely on the report of their auditors.
- 4) We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.
- 5) In our opinion, on the basis stated in paragraph (2) above, the Consolidated Financial Statements referred to above give a true and fair view of the financial position of Bajaj Hindusthan Limited and its Subsidiaries as at September 30, 2008, September 30, 2007, and September 30, 2006 and the results of its operations and cash flows for the years ended September 30, 2008, September 30, 2007, and September 30, 2006 in conformity with generally accepted accounting principles in India.
- 6) The amounts for the year ended September 30 2008, expressed in U.S. Dollars, provided as supplementary information solely for the convenience of the reader, have been translated on the basis set forth in Note No. 13 on Schedule 16 to the Financial Statements.

- 7) This report is solely for your information and for inclusion in the Offer Document being issued by the Company in connection with the proposed placement of equity shares under chapter XIII-A of Securities and Exchange Board (Disclosure and Investor Protection) Guidelines, 2000, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310

MUMBAI : 9th June, 2009.

BAJAJ HINDUSTHAN LTD.
Consolidated Balance Sheet as at September 30,

	Sch.	As at Sept. 30, 2008 US\$ Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million	As at Sept. 30, 2006 Rs. Million
I. Sources of Funds:					
Shareholders' Funds					
Capital	1	2.78	141.41	141.41	141.41
Stock option outstanding		3.18	161.77	223.21	-
Reserves & Surplus	2	<u>229.86</u>	<u>11,711.10</u>	<u>13,695.70</u>	<u>13,473.41</u>
		235.82	12,014.28	14,060.32	13,614.82
Minority interest		13.21	673.04	226.27	-
Loan Funds					
Secured Loans	3	719.07	36,636.76	26,788.27	4,753.21
Unsecured Loans	4	<u>131.78</u>	<u>6,714.00</u>	<u>9,146.20</u>	<u>10,659.18</u>
		850.85	43,350.76	35,934.47	15,412.39
Deferred Tax Liability (Net) (Refer Note 8)		0.77	39.34	1,045.12	1,261.97
Total		<u>1,100.65</u>	<u>56,077.42</u>	<u>51,266.18</u>	<u>30,289.18</u>
II. Application of Funds:					
Fixed Assets	5				
Gross Block		931.35	47,452.21	29,217.78	13,790.99
Less: Depreciation		<u>141.14</u>	<u>7,191.22</u>	<u>4,670.81</u>	<u>3,054.90</u>
Net Block		790.21	40,260.99	24,546.97	10,736.09
Capital Work in progress		<u>31.16</u>	<u>1,587.47</u>	<u>16,298.68</u>	<u>14,721.05</u>
		821.37	41,848.46	40,845.65	25,457.14
Investments	6	0.01	0.66	0.66	0.66
Current Assets, Loans & Advances	7				
Inventories		155.52	7,923.66	4,338.24	1,433.74
Sundry Debtors		10.65	543.01	1,136.76	663.39
Cash & Bank Balances		34.16	1,740.35	2,673.91	2,311.19
Loans & Advances		<u>308.41</u>	<u>15,714.19</u>	<u>12,399.93</u>	<u>4,438.38</u>
		508.74	25,921.21	20,548.84	8,846.70
Less : Current Liabilities & Provisions	8				
Current Liabilities		188.09	9,584.90	7,143.33	2,024.04
Provisions		<u>41.38</u>	<u>2,108.01</u>	<u>2,985.64</u>	<u>1,991.28</u>
		229.47	11,692.91	10,128.97	4,015.32
Net Current Assets		279.27	14,228.30	10,419.87	4,831.38
Total		<u>1,100.65</u>	<u>56,077.42</u>	<u>51,266.18</u>	<u>30,289.18</u>
Notes Forming part of the accounts	16				

BAJAJ HINDUSTHAN LTD.
Consolidated Profit & Loss Account for the year ended September 30,

	Sch.	2007-08 US\$ Million	2007-08 Rs. Million	2006-07 Rs. Million	2005-06 Rs. Million
Income :					
Gross Sales /Income from Operations	9	435.26	22,176.76	19,137.03	15,648.84
Less: Excise Duty		28.96	1,475.32	1,332.34	820.41
Net Sales /Income from Operations		406.30	20,701.44	17,804.69	14,828.43
Other Income	10	9.83	501.16	323.93	398.13
		416.13	21,202.60	18,128.62	15,226.56
Expenditure :					
Raw Materials Consumed	11	313.17	15,956.11	13,440.92	9,517.52
Manpower Cost	12	29.11	1,482.85	1,423.34	584.93
Other Expenses	13	80.22	4,088.15	2,424.87	1,363.66
Interest & Finance charges (Net)	14	40.65	2,071.33	915.03	33.41
Depreciation		54.93	2,798.67	1,610.87	759.41
(Increase) / Decrease in Stocks	15	(44.42)	(2,262.88)	(1,391.79)	228.10
		473.66	24,134.23	18,423.24	12,487.03
		(57.53)	(2,931.63)	(294.62)	2,739.53
Profit / Loss for the year before Taxation					
Less: Provision for Taxation:					
Current Tax		0.03	1.33	42.03	312.75
Deferred Tax (Refer Note 8)		(19.71)	(1,004.24)	(216.85)	849.76
Wealth Tax		0.06	3.00	1.80	0.80
Fringe Benefit Tax		0.38	19.56	12.93	9.70
		(19.24)	(980.35)	(160.09)	1,173.01
Less: MAT credit entitlement		-	-	40.80	275.80
		(19.24)	(980.35)	(200.89)	897.21
		(38.29)	(1,951.28)	(93.73)	1,842.32
Less: Minority interest		(3.39)	(172.76)	(114.54)	-
Pre-acquisition Loss / (Profit)		(4.01)	(204.30)	-	-
Income attributed to consolidated group		(30.89)	(1,574.22)	20.81	1,842.32
Add: Balance Brought Forward		3.18	162.19	192.59	144.13
Excess / (Short) provision for tax		(0.49)	(24.87)	53.58	5.99
Dividend paid on conversion of FCCBs		-	-	-	(10.54)
Corporate Dividend Tax on Dividend paid		-	-	-	(1.48)
Debenture Redemption Reserve no longer required		-	-	50.00	-
		2.69	137.32	296.17	138.10
		(28.20)	(1,436.90)	316.98	1,980.42
Transfers to:					
Reserve for Molasses Storage Tanks		0.09	4.66	5.53	3.59
General Reserve		-	-	50.00	500.00
Debenture Redemption Reserve		-	-	-	1,187.50
Proposed Dividend		1.67	84.84	84.84	84.84
Corporate Dividend Tax on Proposed Dividend		0.28	14.42	14.42	11.90
Balance carried to Balance Sheet		(30.24)	(1,540.82)	162.19	192.59
Basic / Diluted Earning per Share:					
Net Profit/(Loss)		(31.38)	(1,599.09)	74.39	1,848.31
Weighted Average No. of Shares		141,407,111	141,407,111	141,407,111	133,702,948
Basic / Diluted Earning per Share in Rupees (Face Value Re. 1/- each)		(0.22)	(11.31)	0.53	13.82
Notes Forming part of the accounts	16				

BAJAJ HINDUSTHAN LTD.
Consolidated Cash Flow Statement for the year ended September 30,

	2007-08 US\$ Million	2007-08 Rs. Million	2006-07 Rs. Million	2005-06 Rs. Million
A. Cash Flow from operating activities:				
Net Profit/ (Loss) before Exceptional item and Taxation	(57.53)	(2,931.63)	(294.62)	Refer Note 2
Adjustment for:				
Depreciation	54.93	2,798.67	1,610.87	
(Gain) / Loss due to Foreign Exchange Fluctuation	23.91	1,218.25	-	
Loss/ (Surplus) on sale of Fixed Assets (Net)	0.03	1.22	0.46	
Interest and Finance Charges	54.49	2,776.67	1,393.33	
Dividend Received	(0.04)	(1.98)	(1.93)	
Profit on sale of investment	(1.63)	(83.18)	(2.84)	
Interest Received	(13.85)	(705.34)	(478.30)	
Employee's Compensation Expenses (ESOP Cost)	(0.17)	(8.78)	223.21	
	117.67	5,995.53	2,744.80	-
Operating Profit before working capital changes	60.14	3,063.90	2,450.18	
Adjustment for:				
Trade and other receivables	(36.90)	(1,879.85)	(4,701.97)	
Inventories	(70.37)	(3,585.42)	(2,904.50)	
Trade payables	19.45	990.96	6,227.80	
Cash generated from operations	(27.68)	(1,410.41)	1,071.51	
Direct taxes paid	(4.84)	(246.51)	(195.79)	
Net Cash from/ (used in) operating activities	(32.52)	(1,656.92)	875.72	-
B. Cash Flow from investing activities:				
Purchase of Fixed Assets	(59.88)	(3,051.13)	(17,014.04)	
Sale of Fixed Assets	2.64	134.89	45.02	
Sale/Purchase of Investments	1.63	83.18	2.84	
Acquisition of subsidiary / Minority interest	(3.24)	(165.29)	-	
Loans and Advances	(12.62)	(642.89)	(3,499.54)	
Dividend Received	0.04	1.98	1.93	
Interest Received	13.85	705.34	478.30	
Exchange Fluctuation Reserve on consolidation	0.11	5.63	1.30	
Net cash used in investing activities	(57.47)	(2,928.29)	(19,984.19)	-
C. Cash Flow from financing activities:				
Issue of FCCBs (Net of Conversions)	-	-	596.10	
Proceeds from borrowings (Net of repayments)	121.65	6,198.04	19,925.98	
Issue of Equity Shares & Premium thereon:	0.98	50.00	310.00	
Issue expenses (including GDR/FCCB)	-	-	(3.72)	
Interest paid	(49.03)	(2,497.91)	(1,260.27)	
Dividend paid	(1.93)	(98.48)	(96.90)	
Net cash from financing activities	71.67	3,651.65	19,471.19	-
Net increase/(decrease) in cash and cash equivalents	(18.32)	(933.56)	362.72	-
Cash and Cash equivalents - (Opening Balance)				
Earmarked for specific purposes	0.24	12.39	7.03	
Other Balances	52.24	2,661.52	2,304.16	
	52.48	2,673.91	2,311.19	-
Cash and Cash equivalents - (Closing Balance)				
Earmarked for specific purposes	0.57	29.23	12.39	
Other Balances	33.59	1,711.12	2,661.52	
	34.16	1,740.35	2,673.91	-

Notes:

- Figures in brackets indicate cash outflow and without brackets indicate cash inflow.
- Year 2005-06 being first year of consolidation, the cash flow statement cannot be prepared under the indirect method in the absence of previous year comparatives.

BAJAJ HINDUSTHAN LTD.

SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

Schedules 1 to 16 annexed to and forming part of the Consolidated Balance Sheet as at September 30, and Consolidated Profit and Loss Account for the year ended on that date.

	As at Sept. 30, 2008 US\$ Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million	As at Sept. 30, 2006 Rs. Million
Schedule 1 - Capital				
Authorised:				
300,000,000 Equity Shares of Re 1/- each.	5.89	300.00	300.00	300.00
500,000,000 Unclassified Shares of Rs. 1/- each.	9.81	500.00	500.00	500.00
	<u>15.70</u>	<u>800.00</u>	<u>800.00</u>	<u>800.00</u>
Issued, Subscribed & Paid up:				
141,407,111 Equity Shares of Re 1/- each.	2.78	141.41	141.41	141.41
	<u>2.78</u>	<u>141.41</u>	<u>141.41</u>	<u>141.41</u>
Schedule 2 - Reserves and Surplus				
Capital Redemption Reserve	0.01	0.60	0.60	0.60
Contingency Reserve	1.96	100.00	100.00	100.00
Securities Premium	179.79	9,160.06	9,448.96	9,203.10
Consolidation of overseas subsidiaries	0.14	6.93	1.30	-
General Reserve	55.22	2,813.48	2,815.99	2,765.99
Debenture Redemption Reserve	22.33	1,137.50	1,137.50	1,187.50
Reserve for Molasses Storage Tanks	0.65	33.35	29.16	23.63
Balance as per Profit & Loss Account	(30.24)	(1,540.82)	162.19	192.59
	<u>229.86</u>	<u>11,711.10</u>	<u>13,695.70</u>	<u>13,473.41</u>
Schedule 3 - Secured Loans				
Debentures				
10,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 84 (redeemed on August 29, 2008)	-	-	1,000.00	-
15,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 86 (redeemed on March 24, 2008)	-	-	1,500.00	-
200 - 12% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 15 of 2007-08 (redeemable at par on Feb. 25, 2011)	39.25	2,000.00	-	-
25 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 22 of 2007-08 MIBOR linked (redeemable at par on April 07, 2009)	4.91	250.00	-	-
25 - 11.60% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 23 of 2007-08 (redeemable at par on April 07, 2009)	4.91	250.00	-	-
200 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 25 of 2007-08 MIBOR linked (redeemable at par Rs. 1,000 million each on March 10, 2009 & March 16, 2009)	39.25	2,000.00	-	-
100 - Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 27 of 2007-08 MIBOR linked (redeemable at par on June 05, 2009)	19.63	1,000.00	-	-
15 - 11% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000 each series 30 of 2007-08 (redeemable at par on June 19, 2011)	2.94	150.00	-	-
Loans & Advances from Banks	489.80	24,955.17	19,178.20	4,434.73
Other Loans & Advances	118.38	6,031.59	5,110.07	318.48
	<u>719.07</u>	<u>36,636.76</u>	<u>26,788.27</u>	<u>4,753.21</u>

Notes : (Related with Balance Sheet as on 30.09.2008)

1. i) Non-Convertible Debentures amounting to Rs.3500 Million (USD 68.70 Million)(Series 22, Series 23, Series 25, and Series 27 of 2007-08) are to be secured by a mortgage and charge in favour of the Trustees on the Company's immovable property located at Village and Taluka Dabhoi, District Vadodara in the State of Gujarat.
ii) Non Convertible Debentures amounting to Rs.2150 Million (USD 42.19 million)(Series 15 and Series 30 of 2007-08) are to be secured by way of first pari passu charge on fixed assets of the Company. Execution of Debenture Trust Deed in this regard is under finalisation.
2. Working Capital / Short Term Loans from Banks (except for Short Term Loans aggregating to Rs.2000 Million (USD 39.25 Million)) are secured, on first pari passu charge basis, by hypothecation of inventories, book debts, other receivables and current assets and further secured / to be secured, on a third pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the Company. Documentation for mortgage in respect of certain loans is under finalisation.
3. Short Term Loans aggregating to Rs. 2000 Million (USD 39.25 Million) are secured/to be secured, on first pari passu charge basis, by hypothecation /charge on whole of the current assets (including inventories, book debts and other receivables) of the Company. Documentation of charges in respect of short term loans are under finalisation.
4. Term loans from Banks (except ECB of Yen 9,191.20 Million and Loans under Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 for Rs.1967.20 Million (USD 38.61 Million) in respect of Bajaj Hindusthan Ltd. (BHL) and for Rs. 175.10 Million (USD 3.44 Million) in respect of Bajaj Hindusthan Sugar & Industries Ltd. (BHSIL)) are secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties and further secured (Except in case of Bajaj Eco-tec Products Ltd.), on second pari passu charge basis, by hypothecation of all the present and future current assets of the Company including inventories, book-debts and other receivables. Documentation for mortgage in respect of certain term loans/certain properties is under finalisation.
5. The ECB Loan of Yen 9,191.20 Million is secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties. Documentation for mortgage in respect of certain properties is under finalisation.
6. Loans under "Scheme for Extending Financial Assistance to Sugar Undertaking, 2007" amounting to Rs.1967.20 Million (USD 38.61 Million) in respect of Bajaj Hindusthan Ltd. (BHL) and for Rs. 175.10 Million (USD 3.44 Million) in respect of Bajaj Hindusthan Sugar & Industries Ltd. (BHSIL) included in Loans and Advances from Banks, are secured / to be secured on pari passu residual charge basis, by hypothecation of whole of movable fixed assets and properties and by mortgage on the Sugar Undertakings of the Company. Documentation for mortgage in respect of certain loans/certain properties is under finalisation.
7. Term loan in Foreign Currency (ECB) of Rs. 5,875.24 Million (USD 115.31 Million) in BHSIL included in Other Loans and Advances, is secured by hypothecation of its movable fixed assets (present & future) at all factories and its immoveable assets (present and future) at its factories at Rudauli, Kundarkhi and Utraula together with all buildings and structures thereon and all plant and machinery attached thereto. The Charge is further secured by a pari passu first charge on all its immovable fixed assets at the factory at Pratappur, District Deoria in U.P. by Joint Equitable mortgage and by hypothecation of movable fixed assets. Also further secured, on a second pari passu charge basis, by hypothecation of its all the current assets (present and future).
8. The Sugar Development Fund loan from Government of India amounting to Rs.70.48 Million (USD 1.38 Million) in respect of BHL and Rs. 85.87 Million(USD 1.69 Million) in respect of BHSIL included in Other Loans and Advances, are secured/to be secured, on exclusive second charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the concerned sugar unit of the Company. The Company has also created security in favour of Government of India for certain other SDF loans aggregating to Rs.631.43 Million (USD 12.39), that are yet to be disbursed to the Company, on exclusive second charge basis, by hypothecation of the entire movable fixed assets and properties of the respective sugar units for which the said SDF loans have been availed.

BAJAJ HINDUSTHAN LTD.

	As at Sept. 30, 2008 US\$ Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million	As at Sept. 30, 2006 Rs. Million
Schedule 4 - Unsecured Loans				
Short Term Debentures	4.91	250.00	2,050.00	4,750.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	123.91	6,313.43	5,345.03	5,492.22
Short Term Loan from Banks	2.94	149.78	1,748.75	400.00
Fixed Deposits	0.02	0.79	2.42	16.96
	131.78	6,714.00	9,146.20	10,659.18

BAJAJ HINDUSTHAN LTD.

Schedule 5 - Fixed Assets (Consolidated)
2007-08

Rs. Million US \$ Million

Sr. No.	DESCRIPTION	GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK	
		As at Oct. 1, 2007	Additions	Deductions & Adjustments	As at Sept. 30, 2008	As at Oct. 1, 2007	For the year	Deductions & Adjustments	Upto Sept. 30, 2008	As at Sept. 30, 2008	As at Sept. 30, 2008 US \$
1	Goodwill on consolidation	163.36	886.45	-	1,049.81	60.72	329.70	-	390.42	659.39	12.94
2	Land	1,207.88	26.03	0.01	1,233.90	-	-	-	-	1,233.90	24.22
3	Buildings	5,083.88	3,184.02	69.45	8,198.45	521.73	447.69	-	969.42	7,229.03	141.88
4	Plant & Machinery	20,758.15	14,347.84	58.87	35,047.12	3,273.36	1,806.77	8.16	5,071.97	29,975.15	588.33
5	Furniture, Fixures & Office Equipments	434.55	69.68	5.59	498.64	210.49	71.94	4.58	277.85	220.79	4.33
6	Vehicles	247.14	18.20	21.32	244.02	112.41	36.32	11.48	137.25	106.77	2.10
7	Railway Siding & Light Railways	1.97	-	-	1.97	1.89	0.01	-	1.90	0.07	-
8	Weighing Scales & Weigh Bridges	267.01	72.27	7.38	331.90	75.00	31.12	2.30	103.82	228.08	4.48
9	Electrical Fittings	479.01	3.75	-	482.76	96.48	53.41	-	149.89	332.87	6.53
10	Leased Assets:										
	a. Distillery Division:										
	- Land	18.87	0.05	-	18.92	-	-	-	-	18.92	0.37
	- Buildings	28.49	30.03	-	58.52	5.08	2.74	-	7.82	50.70	1.00
	- Plant & Machinery	235.88	3.10	-	238.98	50.15	16.53	-	66.68	172.30	3.38
	- Furniture, Fixures & Office Equipments	0.82	-	-	0.82	0.59	0.06	-	0.65	0.17	-
	- Electrical Fittings	8.07	12.32	-	20.39	3.06	1.56	-	4.62	15.77	0.31
	b. Cement Division - Plant & Machinery	256.69	-	256.69	-	256.69	-	256.69	-	-	-
11	Intangible Assets-Computer Software	26.01	-	-	26.01	3.16	5.77	-	8.93	17.08	0.34
	Total	29,217.78	18,653.74	419.31	47,452.21	4,670.81	2,803.62	283.21	7,191.22	40,260.99	790.21
12	Capital Work in progress	16,298.68	2,928.71	17,639.92	1,587.47	-	-	-	-	1,587.47	31.16
	Total	45,516.46	21,582.45	18,059.23	49,039.68	4,670.81	2,803.62	283.21	7,191.22	41,848.46	821.37

Note: (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.
(ii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.
(iii) Particulars of Capital work-in-progress:

Capital Work in Progress:	As at Oct. 1, 2007	For the year	Capitalised	As at Sept. 30, 2008
Advance to Suppliers / Contractors	3,945.21	(19.59)	3,720.75	204.87
Plant & Machinery / Civil work in progress	11,466.92	2,199.51	12,290.59	1,375.84
Preoperative Expenses				
Manpower Cost	268.44	79.39	347.83	-
Power and Fuel	3.64	0.87	4.51	-
Rent	7.86	2.76	10.62	-
Rates and Taxes	7.98	0.76	8.74	-
Repairs - others	2.18	2.98	5.16	-
Insurance	38.46	4.10	42.56	-
Trial Run Expenses /Loss*	-	213.46	213.46	-
Miscellaneous Expenses	256.03	344.33	593.60	6.76
Interest	176.39	95.11	271.50	-
Finance Charges	117.62	0.08	117.70	-
Depreciation	7.95	4.95	12.90	-
Sub Total Preoperative Expenses	886.55	748.79	1,628.58	6.76
Total	16,298.68	2,928.71	17,639.92	1,587.47

Depreciation debited to the Profit & Loss Account	2,798.67
Depreciation debited to Capital work-in-progress	4.95
Total Depreciation for the year	2,803.62

* Trial Run Expenses/Loss:

Raw Material cost	1,085.55
Manpower Cost	49.41
Stores, Spares and Packing Materials consumed	95.84
Power and Fuel	17.85
Repairs	5.13
Miscellaneous Expenses	102.43
Interest	143.36
Total Expenses	1,499.57
Less: Income during Trial Run:	
Sale	5.09
Stock out of Trial Run	1,281.02
Total Income	1,286.11
Net Trial Run Expenses/Loss	213.46

BAJAJ HINDUSTHAN LTD.

Schedule 5 - Fixed Assets (Consolidated)
2006-07

Rs. Million

Sr. No.	DESCRIPTION	GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK
		As at Oct. 1, 2006	Additions	Deductions & Adjustments	As at Sept. 30, 2007	As at Oct. 1, 2006	For the year	Deductions & Adjustments	Upto Sept. 30, 2007	As at Sept. 30, 2007
1	Goodwill on consolidation	132.54	30.82	-	163.36	26.51	34.21	-	60.72	102.64
2	Land	826.62	381.22	(0.04)	1,207.88	-	-	-	-	1,207.88
3	Buildings	2,066.59	3,018.41	1.12	5,083.88	262.44	257.08	(2.21)	521.73	4,562.15
4	Plant & Machinery	9,162.28	11,599.04	3.17	20,758.15	2,137.59	1,135.29	(0.48)	3,273.36	17,484.79
5	Furniture, Fixures & Office Equipments	337.86	130.69	34.00	434.55	146.16	67.21	2.88	210.49	224.06
6	Vehicles	217.18	35.04	5.08	247.14	83.51	31.17	2.27	112.41	134.73
7	Railway Siding & Light Railways	1.97	-	-	1.97	1.88	0.01	-	1.89	0.08
8	Weighing Scales & Weigh Bridges	159.51	99.30	(8.20)	267.01	41.68	33.90	0.58	75.00	192.01
9	Electrical Fittings	351.73	140.72	13.44	479.01	57.91	38.62	0.05	96.48	382.53
10	Leased Assets:									
	a. Distillery Division:									
	- Land	4.76	14.11	-	18.87	-	-	-	-	18.87
	- Buildings	28.49	-	-	28.49	3.88	1.20	-	5.08	23.41
	- Plant & Machinery	235.88	-	-	235.88	33.87	16.28	-	50.15	185.73
	- Furniture, Fixures & Office Equipments	0.82	-	-	0.82	0.52	0.07	-	0.59	0.23
	- Electrical Fittings	8.07	-	-	8.07	2.26	0.80	-	3.06	5.01
	b. Cement Division - Plant & Machinery	256.69	-	-	256.69	256.69	-	-	256.69	-
11	Intangible Assets-Computer Software	-	26.01	-	26.01	-	3.16	-	3.16	22.85
	Total	13,790.99	15,475.36	48.57	29,217.78	3,054.90	1,619.00	3.09	4,670.81	24,546.97
12	Capital Work in progress	14,721.05	16,413.65	14,836.02	16,298.68	-	-	-	-	16,298.68
	Total	28,512.04	31,889.01	14,884.59	45,516.46	3,054.90	1,619.00	3.09	4,670.81	40,845.65

Note: (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.
(ii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.
(iii) Particulars of Capital work-in-progress:

Capital Work in Progress:	As at Oct. 1, 2006	For the year	Capitalised	As at Sept. 30, 2007
Advance to Suppliers / Contractors	3,741.35	2,631.77	2,427.91	3,945.21
Plant & Machinery / Civil work in progress	10,001.41	12,594.61	11,129.10	11,466.92
Preoperative Expenses				
Manpower Cost	218.94	271.09	221.59	268.44
Power and Fuel	16.72	5.79	18.87	3.64
Rent	6.53	7.84	6.51	7.86
Rates and Taxes	7.88	2.37	2.27	7.98
Repairs - others	3.80	1.34	2.96	2.18
Insurance	39.47	16.27	17.28	38.46
Trial Run Expenses /Loss*	-	227.05	227.05	-
Miscellaneous Expenses	203.12	318.96	266.05	256.03
Interest	468.89	198.36	490.86	176.39
Finance Charges	2.86	130.07	15.31	117.62
Depreciation	10.08	8.13	10.26	7.95
Sub Total Preoperative Expenses	978.29	1,187.27	1,279.01	886.55
Total	14,721.05	16,413.65	14,836.02	16,298.68

Depreciation debited to the Profit & Loss Account	1,610.87
Depreciation debited to Capital work-in-progress	8.13
Total Depreciation for the year	1,619.00

* Trial Run Expenses/Loss:

Raw Material cost	1,048.47
Manpower Cost	66.04
Stores, Spares and Packing Materials consumed	49.32
Power and Fuel	15.12
Repairs	0.30
Miscellaneous Expenses	223.10
Interest	107.56
Total Expenses	1,509.91
Less: Income during Trial Run:	
Sale	176.08
Other Income	3.00
Stock out of Trial Run	1,103.78
Total Income	1,282.86
Net Trial Run Expenses/Loss	227.05

Schedule 5 - Fixed Assets (Consolidated)
2005-06

Rs. Million

Sr. No.	DESCRIPTION	GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK
		As at Oct. 1, 2005	Additions	Deductions & Adjustments	As at Sept. 30, 2006	As at Oct. 1, 2005	For the year	Deductions & Adjustments	Upto Sept. 30, 2006	As at Sept. 30, 2006
1	Goodwill on consolidation	-	132.54	-	132.54	-	26.51	-	26.51	106.03
2	Land	456.82	386.13	16.33	826.62	-	-	-	-	826.62
3	Buildings	728.15	1,444.66	106.22	2,066.59	192.13	95.11	24.80	262.44	1,804.15
4	Plant & Machinery	4,940.68	4,653.78	432.18	9,162.28	1,645.87	494.69	2.97	2,137.59	7,024.69
5	Furniture, Fixures & Office Equipments	216.63	121.80	0.57	337.86	95.41	50.77	0.02	146.16	191.70
6	Vehicles	139.10	81.83	3.75	217.18	55.03	31.03	2.55	83.51	133.67
7	Railway Siding & Light Railways	1.97	-	-	1.97	1.87	0.01	-	1.88	0.09
8	Weighing Scales & Weigh Bridges	61.10	108.51	10.10	159.51	25.48	16.29	0.09	41.68	117.83
9	Electrical Fittings	67.87	308.73	24.87	351.73	19.96	37.95	-	57.91	293.82
10	Leased Assets:									
	a. Distillery Division:									
	- Land	4.76	-	-	4.76	-	-	-	-	4.76
	- Buildings	28.49	-	-	28.49	2.35	1.53	-	3.88	24.61
	- Plant & Machinery	235.88	-	-	235.88	17.45	16.42	-	33.87	202.01
	- Furniture, Fixures & Office Equipments	0.82	-	-	0.82	0.40	0.12	-	0.52	0.30
	- Electrical Fittings	8.07	-	-	8.07	1.32	0.94	-	2.26	5.81
	b. Cement Division - Plant & Machinery	256.69	-	-	256.69	256.69	-	-	256.69	-
11	Intangible Assets-Computer Software	-	-	-	-	-	-	-	-	-
	Total	7,147.03	7,237.98	594.02	13,790.99	2,313.96	771.37	30.43	3,054.90	10,736.09
12	Capital Work in progress	6,328.98	14,968.40	6,576.33	14,721.05	-	-	-	-	14,721.05
	Total	13,476.01	22,206.38	7,170.35	28,512.04	2,313.96	771.37	30.43	3,054.90	25,457.14

Note: (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.
(ii) Deduction & adjustments include Rs. 551.47 million received on account of Capital Subsidy under Sugar Promotion Policy.
(iii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.
(iv) Particulars of Capital work-in-progress:

Capital Work in Progress:	As at Oct. 1, 2005	For the year	Capitalised	As at Sept. 30, 2006
Advance to Suppliers / Contractors	1,347.74	2,446.49	52.88	3,741.35
Plant & Machinery / Civil work in progress	4,432.73	11,369.25	5,800.57	10,001.41
Preoperative Expenses				
Manpower Cost	134.77	230.88	146.71	218.94
Power and Fuel	2.73	35.75	21.76	16.72
Rent	6.53	6.89	6.89	6.53
Rates and Taxes	0.62	8.80	1.54	7.88
Repairs - others	1.11	5.05	2.36	3.80
Insurance	6.13	45.20	11.86	39.47
Trial Run Expenses /Loss*	-	102.14	102.14	-
Miscellaneous Expenses	140.09	214.37	151.34	203.12
Interest	239.60	489.63	260.34	468.89
Finance Charges	7.25	1.99	6.38	2.86
Depreciation	9.68	11.96	11.56	10.08
Sub Total Preoperative Expenses	548.51	1,152.66	722.88	978.29
Total	6,328.98	14,968.40	6,576.33	14,721.05

Depreciation debited to the Profit & Loss Account	759.41
Depreciation debited to Capital work-in-progress	11.96
Total Depreciation for the year	771.37

* Trial Run Expenses/Loss:

Raw Material cost	378.31
Manpower Cost	17.02
Stores, Spares and Packing Materials consumed	23.65
Power and Fuel	9.43
Repairs	6.99
Miscellaneous Expenses	50.09
Interest	26.00
Total Expenses	511.49
Less: Income during Trial Run:	
Sale	2.37
Other Income	0.06
Stock out of Trial Run	406.92
Total Income	409.35
Net Trial Run Expenses/Loss	102.14

BAJAJ HINDUSTHAN LTD.

	As at Sept. 30, 2008 US\$ Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million	As at Sept. 30, 2006 Rs. Million
Schedule 6 - Investments (At Cost)				
Long Term Investments :				
A. Other than Trade				
Quoted, Fully Paid Equity Shares:				
48,000 (2007- 48,000-) (2006-48,000) Shares of Bajaj Holding & Investment Ltd. (BHIL) of Rs.10/- each (formerly known as Bajaj Auto Ltd.) (USD 3533)	-	0.18	0.32	0.32
48000 (2007- Nil) (2006- Nil) Shares of Bajaj Auto Ltd (BAL) of 10/- each (on Demerger of Bajaj Holding & Investment Ltd. on 25.03.08) (USD 1374)	-	0.07	-	-
48,000 (2007- Nil-) (2006-Nil) Shares of Bajaj Finserv Ltd (BFSL) of Rs. 5/- each (on Demerger of Bajaj Holding & Investment Ltd. on 25.03.08) (USD 1374)	-	0.07	-	-
9,750 (2007-9,750) (2006-9,750) Shares of Mukand Ltd. of Rs.10/- each	0.01	0.32	0.32	0.32
Quoted, Fully Paid Preference Shares				
2,437 (2007-2,437) (2006 - 2437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each (USD 393)	-	0.02	0.02	0.02
B. Trade				
In Others *				
Unquoted Fully Paid Equity Shares:				
1,148,400 (2007-1,148,400) (2006-1,148,400) Shares of Bajaj Ebiz Pvt. Ltd. of Rs.10/- each	0.23	11.48	11.48	11.48
5,000 (2007-5,000) (2006-5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs.10/- each (USD 981)	-	0.05	0.05	0.05
	0.24	12.19	12.19	12.19
*Less: Provision for diminution in value of investments	0.23	11.53	11.53	11.53
	0.01	0.66	0.66	0.66
	Sept. 30, 2008	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2006
	Book Value	Book Value	Book Value	Book Value
Quoted Investments	0.01	0.66	0.66	0.66
Unquoted Investments	-	-	-	-
	0.01	0.66	0.66	0.66
	Market Value	Market Value	Market Value	Market Value
Quoted Investments	1.36	69.49	122.79	144.77
Unquoted Investments	-	-	-	-
	1.36	69.49	122.79	144.77

BAJAJ HINDUSTHAN LTD.

	As at Sept. 30, 2008 US\$ Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million	As at Sept. 30, 2006 Rs. Million
Schedule 7 - Current Assets, Loans & Advances				
Current Assets :				
(a) Inventories (At cost or net realisable value whichever is lower, unless otherwise stated, as certified and valued by the Management)				
(i) Stores, Spare Parts and Packing Materials	12.45	634.49	691.29	470.86
(ii) Raw Material	2.54	129.52	58.62	0.53
(iii) Finished Stock	136.16	6,937.27	3,316.30	862.12
(iv) Materials in process	1.92	97.67	-	-
(v) By-Product	2.45	124.71	272.03	100.23
	155.52	7,923.66	4,338.24	1,433.74
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)				
Debts outstanding for a period exceeding six months				
Good	0.40	20.55	15.61	4.99
Doubtful	0.08	4.28	1.99	1.99
Less : Provision	(0.08)	(4.28)	(1.99)	(1.99)
Other Debts	10.25	522.46	1,121.15	658.40
	10.65	543.01	1,136.76	663.39
(c) Cash and Bank Balances				
Cash on hand	0.52	26.45	29.20	119.45
Balance with Scheduled Banks:				
(i) In Current Accounts	7.28	371.11	317.63	773.04
(ii) In Fixed Deposits	26.25	1,337.33	2,317.70	1,417.65
Balance with Non Scheduled Banks - In Current Accounts				
	0.11	5.46	9.38	1.05
	34.16	1,740.35	2,673.91	2,311.19
Loans and Advances:				
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)				
Other Companies	99.87	5,088.44	4,495.80	946.01
Other Company - Doubtful	0.45	22.91	22.91	22.91
Less: Provision	(0.45)	(22.91)	(22.91)	(22.91)
	-	-	-	-
Advances recoverable in cash or in kind or for value to be received	143.24	7,298.15	5,040.09	1,740.11
Deposits	2.58	131.46	127.11	72.55
Balance with Excise Department including Cenvat credits	42.59	2,170.12	1,908.66	1,084.85
MAT credit entitlement	6.21	316.60	316.60	275.80
Tax paid in advance (net of Provisions)	13.92	709.42	511.67	319.06
	308.41	15,714.19	12,399.93	4,438.38
	508.74	25,921.21	20,548.84	8,846.70

BAJAJ HINDUSTHAN LTD.

	As at Sept. 30, 2008 US\$ Million	As at Sept. 30, 2008 Rs. Million	As at Sept. 30, 2007 Rs. Million	As at Sept. 30, 2006 Rs. Million
Schedule 8 - Current Liabilities and Provisions				
A. Current Liabilities:				
Sundry Creditors	178.13	9,077.48	6,894.80	1,931.34
Unclaimed Redeemed Preference Share Capital (Rs.3,000/-) (USD 59)	-	-	-	0.02
Interest Accrued but not due	8.48	431.89	153.12	20.06
Deposits from Stockists and others	1.42	72.42	93.08	70.15
Unclaimed Dividend	0.06	3.11	2.33	2.47
	188.09	9,584.90	7,143.33	2,024.04
B. Provisions:				
For Employee Benefits	2.46	125.25	80.63	50.36
For Premium on redemption of FCCBs	36.97	1,883.50	1,594.60	1,844.18
For Foreign Exchange Gain	-	-	1,211.15	-
Proposed Dividend	1.67	84.84	84.84	84.84
Corporate Dividend Tax	0.28	14.42	14.42	11.90
	41.38	2,108.01	2,985.64	1,991.28
	229.47	11,692.91	10,128.97	4,015.32

BAJAJ HINDUSTHAN LTD.

	2007-08 US\$ Million	2007-08 Rs. Million	2006-07 Rs. Million	2005-06 Rs. Million
Schedule 9 - Gross Sales/ Income from operations				
Sales:				
Manufactured Goods	416.86	21,239.10	18,104.27	15,081.20
By Products	12.48	636.08	997.07	549.28
Power	5.83	297.21	22.62	-
Export Incentives	0.09	4.37	13.07	18.36
	435.26	22,176.76	19,137.03	15,648.84
Schedule 10 - Other Income				
Dividend	0.04	1.98	1.93	2.69
Surplus on Sale of Assets	0.01	0.71	-	0.12
Lease and Management Fees	2.79	142.04	169.18	140.66
Gain due to Foreign Exchange Fluctuation	-	-	12.40	162.35
Scrap / Stores sales	2.75	140.25	86.84	44.66
Profit from sale of Investment	1.63	83.18	2.84	0.01
Provisions no longer required / Credit balances appropriated	0.66	33.79	7.32	-
Miscellaneous Receipts	1.95	99.21	43.42	47.64
	9.83	501.16	323.93	398.13
Schedule 11 - Raw Materials Consumed				
Opening Stock	1.15	58.62	0.53	5.53
Purchases	314.56	16,027.01	13,499.01	9,512.52
	315.71	16,085.63	13,499.54	9,518.05
Less: Closing Stock	2.54	129.52	58.62	0.53
	313.17	15,956.11	13,440.92	9,517.52
Schedule 12 - Manpower Cost				
Salaries & Wages	25.21	1,284.27	1,053.11	509.73
Contribution to Provident and other funds and schemes	2.64	134.57	96.08	49.22
Employee's Welfare Expenses	1.43	72.79	50.94	25.98
Employee's Compensation Expenses (ESOP Cost)	(0.17)	(8.78)	223.21	-
	29.11	1,482.85	1,423.34	584.93
Schedule 13 - Other Expenses				
Stores, Spares and Packing Materials consumed	18.51	942.99	1,132.31	536.64
Power and Fuel	4.81	244.84	160.26	99.62
Rent	0.72	36.67	24.76	14.99
Rates and Taxes	0.28	14.50	8.29	0.54
Repairs :				
Building	0.33	16.68	23.34	22.53
Machinery	9.18	467.85	323.50	253.76
Others	0.52	26.39	89.91	54.77
	10.03	510.92	436.75	331.06
Payment to Auditors for:				
Audit fees	0.05	2.31	2.31	1.36
Tax audit fees	0.01	0.38	0.20	0.20
Certification work	0.02	1.05	0.81	0.52
Out of pocket expenses (USD 3533)	-	0.18	0.07	0.16
	0.08	3.92	3.39	2.24
Payment to Cost Auditor (USD 4318)	-	0.22	0.28	0.09
Insurance	0.56	28.49	65.71	41.57
Selling Commission	1.01	51.65	69.29	55.18
Selling & Distribution	4.27	217.55	232.40	121.39
Director fees	0.01	0.73	0.63	0.71
Donations	0.05	2.74	0.89	0.79
Loss due to Foreign Exchange Fluctuation (Net) (Refer Note 9)	29.52	1,504.28	0.36	-
Miscellaneous Expenses	10.16	517.76	289.09	122.05
Bad debts written off	0.07	3.56	-	-
Loss on sale of investment	-	-	-	35.90
Provision for Doubtful Debts / Advances	0.04	2.29	-	-
Loss on Assets Sold / Discarded	0.04	1.93	0.46	0.89
Prior Period Adjustment	0.06	3.11	-	-
	80.22	4,088.15	2,424.87	1,363.66

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	2007-08 US\$ Million	2007-08 Rs. Million	2006-07 Rs. Million	2005-06 Rs. Million
Schedule 14 - Interest and Finance Charges (Net)				
Interest :				
Term Loans	13.25	675.27	387.63	226.72
Debentures	10.96	558.25	85.02	54.67
Working Capital Loans	15.14	771.42	482.66	121.29
Fixed Deposits (USD 589)	-	0.03	0.49	1.47
Others	10.31	525.34	385.21	92.92
	49.66	2,530.31	1,341.01	497.07
Less: Interest Income Gross				
On Loans	13.51	688.09	434.81	268.87
On Others	0.34	17.25	43.49	207.19
	13.85	705.34	478.30	476.06
	35.81	1,824.97	862.71	21.01
Add: Finance charges	4.84	246.36	52.32	12.40
	40.65	2,071.33	915.03	33.41
Schedule 15 - (Increase)/Decrease in Stocks				
Opening Stock:				
Finished Goods	65.07	3,315.09	862.12	677.05
By-product	5.34	272.03	100.23	120.74
	70.41	3,587.12	962.35	797.79
Add: Stock out of Trial Production:				
Finished Goods	21.40	1,090.58	859.96	336.10
Materials in process	2.07	105.60	100.64	42.21
By-product	1.67	84.84	143.18	28.61
	25.14	1,281.02	1,103.78	406.92
Less: Closing Stock:				
Finished Goods	136.16	6,937.27	3,315.09	862.12
Materials in process	1.92	97.67	-	-
By-product	2.45	124.71	272.03	100.23
	140.53	7,159.65	3,587.12	962.35
	(44.98)	(2,291.51)	(1,520.99)	242.36
Add/(Less): Excise Duty on Increase/Decrease in stocks.	0.56	28.63	129.20	(14.26)
	(44.42)	(2,262.88)	(1,391.79)	228.10

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Schedule 16 - Statement on Significant Accounting Policies and Notes forming part of the Consolidated Accounts

1. System of Accounting:

- (i) The financial statements of Bajaj Hindusthan Ltd. ('the Company'), its Subsidiary Companies and Associate (the Group) have been prepared in compliance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.
- (ii) The financial statements are based on historical cost convention and are prepared on accrual basis.

2. Principles of Consolidation:

- (i) The consolidated financial statements of the Group have been prepared on the following basis:

- The consolidated financial statements of the Group are prepared in accordance with the Accounting Standard - 21 "Consolidated Financial Statements" and Accounting Standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).
 - The financial statements of the Company and its Subsidiary Companies have been consolidated on a line - by - line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra - group balances and intra - group transactions resulting in unrealised profits or unrealised cash losses.
 - Investment in the Associate has been accounted as per the equity method as prescribed in Accounting Standard - 23.
 - The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
 - The excess of cost of investment in the Subsidiary Companies over the Company's portion of equity of the Subsidiary at the date of investment made is recognised in the financial statements as goodwill, which is written off over a period of five years. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as capital reserve.
 - The financial statements of non - integral foreign operation are translated as follows:
 - The assets and liabilities are translated at the closing rate.
 - Income and Expenses items are translated at average exchange rate of the year.
- All differences are accumulated in a foreign currency translation reserve on consolidation until the disposal of the net investment.

- (ii) Companies considered in the consolidated financial statements are:

Name of the Company	Country of incorporation	Holding as on		Sept. 30, 2006	Financial Year ends on
		Sept. 30, 2008	Sept. 30, 2007		
Subsidiary:					
Bajaj Hindusthan Sugar and Industries Ltd.	India	75.00%	54.52%	59.81%	September,30
Bajaj Eco-tec Products Ltd. #	India	100.00%	100.00%	100%	March, 31
Bajaj Aviation Private Ltd. \$ (Formerly known as Bajaj Hindusthan Holdings Private Ltd.)	India	100.00%	100.00%	100%	September,30
Bajaj Eco-Chem Products Private Ltd. #	India	100.00%	-	-	March, 31
Bajaj International Participações Ltda. # @	Brazil	100.00%	100.00%	-	April, 30
Bajaj Hindusthan (Singapore) Pte Ltd.	Singapore	100.00%	100.00%	-	September,30
Associate:					
Bajaj Ebiz Pvt. Ltd. *	India	49.50%	49.50%	49.50%	March, 31

Management has compiled the accounts as at September 30, in order to consolidate the accounts with that of the Holding Company.

\$ It is a 100% subsidiary of wholly owned subsidiary namely Bajaj Eco-tec Products Ltd.

@ Holding company alongwith its subsidiary (BHSIL) and its nominee together holds 100% capital.

* The company has made provision for permanent diminution in the value of its investment in Bajaj Ebiz Pvt. Ltd. (An associate company). Hence no further adjustment in the value of investment is required to be made in the consolidated financial statement.

- (iii) Significant Accounting policies followed by Bajaj Hindusthan Ltd. (parent company) are as stated in the statement annexed to this Schedule (Annexure "A")

	2007-08	2007-08	2006-07	2005-06
	US \$ Million	Rs. Million	Rs. Million	Rs. Million
3. Contingent Liabilities not provided for:				
(a) In respect of disputed demands/claims against the Company not acknowledged as debts:				
(i) Central Excise matters	6.64	338.33	93.54	21.48
(ii) Trade Tax matters	0.15	7.86	5.48	16.19
(iii) Other Claims	6.02	306.56	155.03	72.63
(iv) Income-tax matters	-	0.02	0.28	12.72
(b) A subsidiary has procured Imported as well as Indigenous Capital Goods under Export Promotion and Capital Goods Scheme (EPCG). The Export Obligation pending against such EPCG licenses.	44.24	2,254.08	2,134.01	-
4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	18.51	943.07	2,507.77	9,469.48

5. Managerial Remuneration:
The Profit & Loss Account includes payments and provisions on account of remuneration to managerial personnel as under:

	2007-08 US \$ Million	2007-08 Rs. Million	2006-07 Rs. Million	2005-06 Rs. Million
1. Salary, etc.	0.75	37.98	23.85	13.12
2. Commission	-	-	14.70	1.20
3. Contribution to Provident Fund and Superannuation	0.08	3.87	3.04	1.77
4. Other Perquisites	0.12	6.13	1.69	0.95
Total	0.95	47.98	43.28	17.04

6. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

a) Related parties and relationships for which disclosure is required under AS-18:

A. Associates and Joint Ventures

Bajaj E-biz Private Ltd. – Associate

B. Directors and their relatives

Mr. Shishir Bajaj - Chairman & Managing Director (Also key management personnel)
Mr. Niraj Bajaj - Non Executive Director
Mr. Kushagra Bajaj - Joint Managing Director (Also key management personnel)
and also son of Mr. Shishir Bajaj
Mr. I. D. Mittal - Chief Executive Director (Also key management personnel)
Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal

C. Key Management Personnel

Mr. Himanshu Shah, Managing Director, Bajaj Eco-tec Products Ltd.
Mr. Yogesh Arora, Whole Time Director, Bajaj Eco-tec Products Ltd.
Mr. Chandresh Chhaya - Manager & Company Secretary, Bajaj Hindusthan Sugar and Industries Ltd.

D. Enterprises over which any person described in (B) or (C) above is able to exercise significant influence

1. Anunita Investments Pvt. Ltd.
2. Bajaj Electricals Ltd.
3. Bajaj Hindusthan Ltd. Employees General Medical Aid Fund
4. Bajaj Hindusthan Ltd. Employees Family Planning Welfare Fund
5. Bajaj Hindusthan Ltd. Employees Education Welfare Fund
6. Bajaj Hindusthan Ltd. Employees Sports & Cultural Welfare Activities Fund
7. Bajaj Hindusthan Ltd. Employees Managerial Staff Medical Aid Fund
8. Bajaj Holding & Investment Ltd.
9. Hindusthan Housing Co. Ltd.
10. Hind Musafir Agency Ltd.
11. Mukand Ltd.

6 b) Disclosure as required under AS-18 in respect of Related Party Transactions:

Transactions						Rs. Million	US\$ Million	
		Directors	Relatives of Directors	Key Management Personnel	Relatives of Key Management Personnel	Enterprises described in (D) above	Total	Total
I. Transactions during the year								
Purchase of Goods	2007-08	-	-	-	-	0.32	0.32	0.01
	2006-07	-	-	-	-	0.85	0.85	
	2005-06	-	-	-	-	0.65	0.65	
Rendering of Services	2007-08	-	-	-	-	10.23	10.23	0.20
	2006-07	-	-	-	-	6.44	6.44	
	2005-06	-	-	-	-	10.70	10.70	
Interest paid	2007-08	-	-	-	-	2.36	2.36	0.05
	2006-07	-	-	-	-	-	-	
	2005-06	-	-	-	-	50.22	50.22	
Remuneration	2007-08	-	-	47.98	1.68	-	49.66	0.97
	2006-07	1.10	-	43.28	2.45	-	46.83	
	2005-06	-	-	17.04	2.57	-	19.61	
Dividends received	2007-08	-	-	-	-	1.98	1.98	0.04
	2006-07	-	-	-	-	1.93	1.93	
	2005-06	-	-	-	-	1.92	1.92	
Sitting fees paid	2007-08	0.73	-	-	-	-	0.73	0.01
	2006-07	0.63	-	-	-	-	0.63	
	2005-06	0.71	-	-	-	-	0.71	
Loans taken	2007-08	-	-	-	-	1,088.70	1,088.70	21.37
	2006-07	-	-	-	-	-	-	
	2005-06	-	-	-	-	1,061.55	1,061.55	
Loans taken repaid	2007-08	-	-	-	-	1,088.70	1,088.70	21.37
	2006-07	-	-	-	-	-	-	
	2005-06	-	-	-	-	150.00	150.00	
II. Amounts Outstanding at Balance Sheet date								
Deposits Outstanding	2007-08	-	-	-	-	0.84	0.84	0.02
	2006-07	-	-	-	-	0.97	0.97	
	2005-06	-	-	-	-	0.97	0.97	

Notes:

1. Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.
2. No amount has been written off or written back during any of the year in respect of debts due from or to related parties.

7. Segment Information:

The Company has identified its Business Segments as its Primary Reportable Segments comprising of Sugar, Distillery and Power Divisions.

Primary Segment Information:

Particulars	2007-2008 US\$ Million	2007-2008 Rs. Million	2006-2007 Rs. Million	2005-2006 Rs. Million
1. Segment Revenue				
a. Sugar	361.79	18,433.10	16,646.44	14,045.25
b. Distillery	61.74	3,145.57	1,760.51	1,341.45
c. Power	24.86	1,266.97	-	-
d. Others	4.09	208.36	-	-
Total	452.48	23,054.00	18,406.95	15,386.70
Less : Inter- segment Revenue	46.18	2,352.56	602.26	558.27
Net Sales / Income from Operations	406.30	20,701.44	17,804.69	14,828.43
2. Segment Results (Profit (+)/ Loss(-) before tax and interest)				
a. Sugar	(20.66)	(1,052.45)	(38.40)	2,132.83
b. Distillery	13.33	679.12	702.52	333.44
c. Power	16.62	846.58	-	-
d. Others	(2.76)	(140.77)	-	-
Total	6.53	332.48	664.12	2,466.27
Less: (i) Interest (Net)	40.65	2,071.33	915.03	33.41
(ii) Other Un-allocable Expenditure net off Un-allocable Income	23.41	1,192.78	43.71	(306.67)
Total Profit / (Loss) before Tax	(57.53)	(2,931.63)	(294.62)	2,739.53
3. Segment Assets:				
a. Sugar	994.90	50,690.50	47,115.13	27,534.19
b. Distillery	78.54	4,001.58	4,419.49	2,274.87
c. Power	61.20	3,118.05	-	-
d. Others	69.00	3,515.69	-	-
Total	1,203.64	61,325.82	51,534.62	29,809.06
Add: Unallocated Corporate Assets	126.48	6,444.51	9,860.53	4,495.44
Total Assets	1,330.12	67,770.33	61,395.15	34,304.50
4. Segment Liabilities:				
a. Sugar	130.56	6,652.97	5,255.49	1,853.00
b. Distillery	8.61	438.71	515.50	72.74
c. Power	0.02	0.86	-	-
d. Others	3.06	156.08	-	-
Total	142.25	7,248.62	5,770.99	1,925.74
Add: Unallocated Corporate Liabilities	87.22	4,444.29	4,357.98	2,089.58
Total Liabilities	229.47	11,692.91	10,128.97	4,015.32
5. Capital Expenditure:				
a. Sugar	42.54	2,167.48	13,335.84	13,602.95
b. Distillery	1.99	101.44	1,776.23	1,173.11
c. Power	12.36	629.53	-	-
d. Others	20.25	1,031.97	-	-
e. Unallocated	0.24	12.11	1,940.92	302.52
Total	77.38	3,942.53	17,052.99	15,078.58
6. Depreciation:				
a. Sugar	43.91	2,237.20	1,420.60	666.44
b. Distillery	4.43	225.76	143.08	62.85
c. Power	2.89	147.32	-	-
d. Others	2.73	138.89	-	-
d. Unallocated	0.97	49.50	47.19	30.12
Total	54.93	2,798.67	1,610.87	759.41
7. Non Cash Expenditure other than Depreciation:				
a. Sugar	Nil	Nil	Nil	Nil
b. Distillery	Nil	Nil	Nil	Nil
c. Power	Nil	Nil	Nil	Nil
d. Unallocated	(0.17)	(8.78)	223.21	-
Total	(0.17)	(8.78)	223.21	-

Other disclosures:

- The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
- Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as differing risks and returns.
- The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The segment performance has been worked out after attributing the realisable value of inter segment transfer of material.

8. Deferred Taxation :

	As at Sep ,08 US \$ Million	As at Sep ,08 Rs. Million	As at Sep ,07 Rs. Million	As at Sep ,06 Rs. Million
Deferred Tax Liabilities:				
Depreciation	75.41	3,842.34	2,532.13	1,642.46
Total	75.41	3,842.34	2,532.13	1,642.46
Deferred Tax Assets:				
Compensation under Voluntary Retirement Scheme	-	-	-	0.97
Provision for Employee Benefits	0.82	41.76	26.55	16.67
Expenses allowed on payment basis	0.07	3.68	3.68	3.68
Provision for doubtful debts / advances	0.02	0.78	-	-
Carry Forward loss and unabsorbed Depreciation	73.73	3,756.78	1,456.78	359.17
Total	74.64	3,803.00	1,487.01	380.49
Net Deferred Tax Liability / (Asset)	0.77	39.34	1,045.12	1,261.97

9. Loss due to Foreign Exchange Fluctuation, under the head "Other Expenses" for the year ended September 30, 2008 includes Rs. 1,218.25 million (USD 23.91 million) arising out of restatement of foreign currency borrowing as at the year end, which is net of Rs. 1,211.15 million (USD 23.77 million), provided in previous year.

10. The Hon'ble High Court of Allahabad while disposing the various Writ Petitions filed by the Company and other sugar producing factories, by its Order dated December 19, 2007 had, inter alia, quashed the State Advised Price (SAP) for the season 2006-07 being arbitrary and unreasonable. Based on the legal advice, the Company had accounted for Sugar Cane liability for the season 2006-07 at Statutory Minimum Price (SMP) fixed by the Central Government.

Subsequently Hon'ble Supreme Court on a Special Leave Petition directed the sugar companies by its interim order dated February 27, 2008 to pay @ Rs.118/- per quintal for general variety of sugar cane and accordingly the company has fully discharged its cane liability. Necessary adjustment in accounts arising out of difference between SAP and SMP amounts to Rs. 4,821.74 million (USD 94.64 million) will be considered as and when the matter is finally decided.

11. During the year ended September 30, 2008 the Company has accounted for Sugar Cane Purchases for the season 2007-08 @ Rs.110/- per quintal pursuant to the interim Order dated September 08, 2008 of the Hon'ble Supreme Court of India. The Company has fully discharged its cane liability as per the said interim order. Necessary adjustment in accounts arising out of difference between SAP of Rs. 125 per quintal and Rs. 110/- per quintal amounts to Rs. 1,238.83 million (USD 24.31 million) will be considered as and when the matter is finally decided.

12. Disclosures in respect of derivative instruments:

	2007-08		2006-07		2005-06	
	Forward Contract	Swap	Forward Contract	Swap	Forward Contract	Swap
	USD/ JPY (Million)	JPY/USD (Million)	USD/ JPY (Million)	JPY/USD (Million)	USD/ JPY (Million)	JPY/USD (Million)
(i) Derivative instruments outstanding as at Sep 30, are as under:						
Loans taken	20.00	9,191.20	12.35	9,191.20	-	9,191.20
Loans taken -JPY	-	-	26.00	-	-	-
Debtors	28.75	-	-	-	-	-
ECB	9.00	-	-	-	-	-
(All the derivative instruments have been acquired for hedging purposes.)						
(ii) Foreign currency exposures that are not hedged as at Sep 30,						
	USD (Million)					
Loans taken	-	-	6.09	-	2.67	-
Loans taken -JPY	-	-	0.07	-	-	-
Debtors	27.45	-	-	-	-	-
FCCB	134.50	-	134.50	-	119.50	-
ECB	193.92	-	202.92	-	-	-

13. The rate adopted for conversion of the balances denominated in INR into USD for the year ended September 30, 2008 is Rs. 50.95 for - 1 US\$ and which reflects the RBI closing rate for US \$ as on March 31, 2009.

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Statement on Significant Accounting Policies
Annexure 'A' referred to in Note No. 2 (iii) Schedule 16 to the Consolidated Accounts

1. System of Accounting:
 - (i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties and interest on delayed payment by parties.
 - (ii) Financial statements are based on historical cost.
2. Revenue recognition:
 - (i) Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyers. Sale of goods is exclusive of sales tax. Sales excludes captive consumption of molasses.
 - (ii) Sugar sold under levy quota for each season, is accounted at the price as notified by the Govt. as available till such time, pending final notification for each season. The difference in price pending final notification is accounted on an estimation by the management taking into account factors affecting the calculation of levy sugar price.
 - (iii) Export incentive in the nature of Duty Draw back or "Duty Entitlement Pass Book" under "Duty Exemption Scheme" is accounted for in the year of Export.
3. Fixed Assets and Depreciation:
 - (a) Fixed Assets:
 - (i) Fixed assets are carried at cost of acquisition or construction cost, less accumulated depreciation (except free hold land) and amortisation.
 - (ii) Expenditure during construction period incurred on the projects under implementation are treated as Pre-operative Expenses pending allocation to the assets, and are included under "Capital Work in Progress". These expenses are apportioned to fixed assets on commencement of commercial production. Capital Work in Progress is stated at the amount expended upto the date of Balance Sheet.
 - (b) Depreciation:
 - (i) Depreciation on all the assets has been provided as under: -
 - (a) Plant & Machinery: On straight-line method basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
 - (b) Other Assets: On written down value basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
 - (ii) Depreciation on assets added, sold or discarded during the year has been provided on pro-rata basis.
 - (iii) Intangible assets represented by computer software is being amortised over a period of five years.
4. Investments:

All long term investments are stated at cost of acquisition. Diminution in value of such long term investments is not provided for except where determined to be of permanent nature.
5. Inventories:
 - (i) Stock of Raw Materials is valued at cost or net realisable value whichever is lower. Cost is arrived at on FIFO Basis.
 - (ii) Stock of Materials-in-Process and Finished goods is valued at cost or net realisable value whichever is lower. *
 - (iii) Stores, Spares and Packing material are valued at cost. Cost is arrived at on Weighted Average Basis.
 - (iv) Obsolete stores and spares when identified and technically determined, are valued at estimated realisable value.
 - (v) By-products - Molasses and Bagasse has been valued at estimated realisable value.
 - (vi) Trial run inventories are valued at cost or estimated realisable value whichever is lower. *

* Cost is arrived at on full absorption basis as per Accounting Standard AS-2 "Valuation of Inventories".
6. Research and Development:

Revenue expenditure on Research and Development is charged against the profit for the year.

Capital expenditure on Research and Development is shown as an addition to Fixed Assets.
7. Government Grants:

Government grants / subsidies received towards specific Fixed assets have been deducted from the Gross value of the concerned Fixed assets and grant / subsidies received during the year towards revenue expenses have been reduced from respective expenses. Capital Subsidies under Sugar Promotion Policy, 2004 is recognised to the extent the claims are accepted and settled.
8. Foreign Currency Transactions:

Foreign Currency transactions are recorded at the rates of exchange prevailing on the date of transaction. Monetary foreign currency assets and liabilities outstanding at the close of the financial year are revalourised at the exchange rates prevailing on the balance sheet date. Exchange differences arising on account of fluctuation in the rate of exchange is recognised in the Profit & Loss Account.

9. Employee Benefits:

(a) Short Term Employee Benefits:

- (i) Short term employee benefits are recognised as expenditure at the undiscounted value in the Profit and Loss Account of the year in which the related service is rendered.

(b) Post Employment Benefits:

Company's contribution to the superannuation scheme, pension under Employees' Pension Schem, 1995 etc. are recognised during the year in which the related service is rendered.

(ii) Defined Benefit Plans:

- Gratuity:

Gratuity liability is covered under the Gratuity-cum-Insurance Policy of Life Insurance Corporation of India (LIC) by BHL Employees' Gratuity Fund. The present value of the obligation is determined based on an actuarial valuation, using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit and Loss Account. The amount funded by the Trust administered by the Company under the aforesaid Policy, is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on a net basis.

- Provident Fund:

Monthly contributions are made to a Trust administered by the Company. The interest rate payable by the Trust to the beneficiaries is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on the investments of the Trust and the notified interest rate.

- (c) Long term compensated absences are provided on the basis of actuarial valuation.

- (d) Compensation to employees under Voluntary Retirement Scheme is charged to Profit and Loss Account in the year of accrual.

10. Borrowing Cost:

- (i) Borrowing cost attributable to acquisition and construction of assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use and other borrowing costs are charged to profit & loss account.

- (ii) Expenses on issue of shares, debentures and foreign currency convertible bonds (FCCBs) , premium on redemption of FCCBs, which is being provided entirely on issuance as well as exchange rate difference arising on revaluation of such premium are charged to "Securities Premium Accounts" in accordance with Section 78 of the Companies Act, 1956.

11. Provision for Current and Deferred Tax:

- (i) Provision for Current tax is made with reference to taxable income computed for the accounting period for which the financial statements are prepared by applying the tax rates relevant to the respective 'Previous Year'. Minimum Alternate Tax (MAT) eligible for set-off in subsequent years (as per tax laws), is recognised as an asset by way of credit to the Profit and Loss Account only if there is convincing evidence of its realisation. At each Balance Sheet date, the carrying amount of MAT Credit Entitlement receivable is reviewed to reassure realisation.

- (ii) Deferred Tax resulting from 'timing difference' between book and taxable profit for the year is accounted for using the current tax rates. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future. However, in case of deferred tax assets (representing unabsorbed depreciation or carry forward losses) are recognised, if and only if there is a virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised.

12. Impairment of Assets:

The Carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

13. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Financial Statements. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

REVIEW REPORT ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2009 AND MARCH 31, 2008.

The Board of Directors
BAJAJ HINDUSTHAN LIMITED
MUMBAI

1. We have reviewed the accompanying Un-audited Consolidated Balance Sheets of **BAJAJ HINDUSTHAN LIMITED** and its Subsidiaries as at March 31, 2009 and 2008, the related statement of Consolidated Profit and Loss and the Cash Flow statement for the six months period from October 1, 2008 to March 31, 2009 and October 1, 2007 to March 31, 2008 (together comprising the “Consolidated Financial Statements”) These Consolidated Financial Statements are the responsibility of the Company’s Management and have been approved by the Board of Directors.
2. We conducted our review in accordance with the standard on Review Engagement(SRE) 2400, “Engagement 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.
3. A review of interim financial information consists principally of applying analytical procedure for financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.
5. We did not review the financial statements of certain subsidiary companies whose financial statements reflect total assets of Rs.171.72 Million as at March 31, 2009, and Rs.107.50 Million as at March 31, 2008, and total Revenues of Rs. NIL Million for each of the year ended March 31, 2009, and March 31, 2008, and considered for the purpose of consolidated accounts. These accounts have been prepared and certified by the management of the Company and are not reviewed. Our opinion, in so far as it relates to these subsidiaries is based solely on the certification of the management.
6. Based on our review as aforesaid, nothing has come to our attention that causes us to believe that the accompanying Consolidated Financial Statements referred to in paragraph 1 does not present fairly in all material respects and in accordance with the Accounting Standards, issued by the Institute of Chartered Accountants of India
7. The amounts for the period of six months October 1, 2008 to March 31, 2009, expressed in U.S. dollars, provided as supplementary information solely for the convenience of the reader, have been translated on the basis set forth in Note No. 13 on Schedule 16 to the Financial Statements.
8. This report is solely for your information and for inclusion in the Offer Document being issued by the Company in connection with the proposed placement of equity shares under chapter XIII-A of

Securities and Exchange Board (Disclosure and Investor Protection) Guidelines, 2000 and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310

MUMBAI : 9th June, 2009.

BAJAJ HINDUSTHAN LTD.
Consolidated Unaudited Balance Sheet as at March 31,

	Sch.	As at March 31, 2009 US\$ Million	As at March 31, 2009 Rs. Million	As at March 31, 2008 Rs. Million
I. Sources of Funds:				
Shareholders' Funds				
Capital	1	2.78	141.41	141.41
Stock option outstanding		3.18	161.77	170.54
Reserves & Surplus	2	<u>244.65</u>	<u>12,464.99</u>	<u>14,333.56</u>
		250.61	12,768.17	14,645.51
Minority interest		13.66	696.14	891.13
Loan Funds				
Secured Loans	3	700.50	35,690.62	30,436.61
Unsecured Loans	4	<u>154.19</u>	<u>7,855.83</u>	<u>5,963.53</u>
		854.69	43,546.45	36,400.14
Deferred Tax Liability (Net) (Refer Note 8)		2.28	116.09	1,229.33
Total		<u>1,121.24</u>	<u>57,126.85</u>	<u>53,166.11</u>
II. Application of Funds:				
Fixed Assets	5			
Gross Block		1,024.03	52,174.15	40,683.43
Less: Depreciation		<u>175.39</u>	<u>8,935.92</u>	<u>5,914.44</u>
Net Block		848.64	43,238.23	34,768.99
Capital Work in progress		<u>29.44</u>	<u>1,500.10</u>	<u>8,304.34</u>
		878.08	44,738.33	43,073.33
Investments	6	0.01	0.66	0.66
Current Assets, Loans & Advances	7			
Inventories		259.09	13,200.31	15,153.76
Sundry Debtors		16.51	841.53	818.81
Cash & Bank Balances		115.04	5,861.44	1,441.58
Loans & Advances		<u>326.46</u>	<u>16,633.89</u>	<u>16,472.04</u>
		717.10	36,537.17	33,886.19
Less : Current Liabilities & Provisions	8			
Current Liabilities		430.77	21,949.57	20,916.54
Provisions		<u>43.19</u>	<u>2,200.09</u>	<u>2,877.53</u>
		473.96	24,149.66	23,794.07
Net Current Assets		243.14	12,387.51	10,092.12
Miscellaneous Expenses (To the Extent not written off or adjusted)		0.01	0.35	-
Total		<u>1,121.24</u>	<u>57,126.85</u>	<u>53,166.11</u>
Notes Forming part of the accounts	16			

BAJAJ HINDUSTHAN LTD.

Consolidated Unaudited Profit & Loss Account for the period ended March 31,

	Sch.	2008-09 (6 Month) US\$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
Income :				
Gross Sales /Income from Operations	9	197.61	10,068.20	9,817.69
Less: Excise Duty		9.36	476.88	695.39
Net Sales /Income from Operations		188.25	9,591.32	9,122.30
Other Income	10	27.26	1,388.34	203.48
		<u>215.51</u>	<u>10,979.66</u>	<u>9,325.78</u>
Expenditure :				
Raw Materials Consumed	11	202.96	10,340.90	13,721.64
Manpower Cost	12	17.34	883.45	752.04
Other Expenses	13	28.41	1,446.91	1,744.64
Interest & Finance charges (Net)	14	31.92	1,626.32	496.30
Depreciation		34.74	1,770.06	1,174.11
(Increase) / Decrease in Stocks	15	(96.44)	(4,914.04)	(9,220.82)
		<u>218.93</u>	<u>11,153.60</u>	<u>8,667.91</u>
Profit / (Loss) for the period before Taxation		<u>(3.42)</u>	<u>(173.94)</u>	<u>657.87</u>
Less: Provision for Taxation:				
Current Tax		0.67	34.09	105.54
Deferred Tax (Refer Note 8)		1.51	76.75	184.21
Wealth Tax		0.03	1.50	1.10
Fringe Benefit Tax		0.12	6.30	13.76
		<u>2.33</u>	<u>118.64</u>	<u>304.61</u>
Less: MAT credit entitlement		0.67	34.00	104.15
		<u>1.66</u>	<u>84.64</u>	<u>200.46</u>
Profit / (Loss) for the period		<u>(5.08)</u>	<u>(258.58)</u>	<u>457.41</u>
Less: Minority interest		0.45	23.11	17.54
Pre-acquisition Loss / (Profit)		-	-	(204.31)
Income attributed to consolidated group		<u>(5.53)</u>	<u>(281.69)</u>	<u>644.18</u>
Add: Balance Brought Forward		(30.24)	(1,540.82)	162.19
Excess / (Short) provision for tax		(0.33)	(16.73)	-
		<u>(30.57)</u>	<u>(1,557.55)</u>	<u>162.19</u>
		<u>(36.10)</u>	<u>(1,839.24)</u>	<u>806.37</u>
Transfers to:				
Reserve for Molasses Storage Tanks		0.01	0.51	3.11
Balance carried to Balance Sheet		<u>(36.11)</u>	<u>(1,839.75)</u>	<u>803.26</u>
Basic / Diluted Earning per Share:				
Net Profit/(Loss)		<u>(5.86)</u>	<u>(298.42)</u>	<u>644.18</u>
Weighted Average No. of Shares		141,407,111	141,407,111	141,407,111
Basic / Diluted Earning per Share in Rupees (Face Value Re. 1/- each)		(0.04)	(2.11)	4.56

Notes Forming part of the accounts

16

BAJAJ HINDUSTHAN LTD.
Consolidated Cash Flow Statement for the period ended March 31,

	2008-09 (6 Month) US\$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
A. Cash Flow from operating activities:			
Net Profit/ (Loss) before Exceptional item and Taxation	(3.42)	(173.94)	657.87
Adjustment for:			
Depreciation	34.74	1,770.06	1,174.11
(Gain) / Loss due to Foreign Exchange Fluctuation	(23.77)	(1,211.15)	-
Loss/ (Surplus) on sale of Fixed Assets (Net)	(0.04)	(2.06)	1.05
Interest and Finance Charges	38.81	1,977.32	819.36
Interest Received	(6.89)	(351.00)	(323.06)
	42.85	2,183.17	1,671.46
Operating Profit before working capital changes	39.43	2,009.23	2,329.33
Adjustment for:			
Trade and other receivables	(22.29)	(1,135.76)	(3,019.10)
Inventories	(103.57)	(5,276.65)	(10,815.52)
Trade payables	239.73	12,213.43	13,673.60
Cash generated from operations	153.30	7,810.25	2,168.31
Direct taxes paid	0.77	39.30	(108.41)
Net Cash from operating activities	154.07	7,849.55	2,059.90
B. Cash Flow from investing activities:			
Purchase of Fixed Assets	(13.72)	(699.23)	(2,694.21)
Sale of Fixed Assets	0.26	13.41	40.33
Loans and Advances	(2.87)	(146.38)	(642.89)
Interest Received	6.89	351.00	323.06
Preliminary Expenses not written off	(0.01)	(0.35)	-
Exchange Fluctuation Reserve on consolidation	(0.10)	(5.04)	2.91
Net cash used in investing activities	(9.55)	(486.59)	(2,970.80)
C. Cash Flow from financing activities:			
Proceeds from borrowings (Net of repayments)	(22.32)	(1,137.10)	465.66
Issue of Equity Shares & Premium thereon:	-	-	50.00
Interest paid	(39.36)	(2,005.24)	(737.92)
Dividend paid	(1.95)	(99.53)	(99.17)
Net cash used in financing activities	(63.63)	(3,241.87)	(321.43)
Net increase/(decrease) in cash and cash equivalents	80.89	4,121.09	(1,232.33)
Cash and Cash equivalents - (Opening Balance)			
Earmarked for specific purposes	0.57	29.23	12.39
Other Balances	33.58	1,711.12	2,661.52
	34.15	1,740.35	2,673.91
Cash and Cash equivalents - (Closing Balance)			
Earmarked for specific purposes	0.37	18.99	15.56
Other Balances	114.67	5,842.45	1,426.02
	115.04	5,861.44	1,441.58

Note: Figures in brackets indicate cash outflow and without brackets indicate cash inflow.

BAJAJ HINDUSTHAN LTD.**SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS**

Schedules 1 to 16 annexed to and forming part of the Consolidated Balance Sheet as at March 31, and Consolidated Profit and Loss Account for the period ended on that date.

	As at March 31,2009 US\$ Million	As at March 31,2009 Rs. Million	As at March 31,2008 Rs. Million
Schedule 1 - Capital			
Authorised:			
300,000,000 Equity Shares of Re 1/- each.	5.89	300.00	300.00
500,000,000 Unclassified Shares of Rs. 1/- each.	9.81	500.00	500.00
	<u>15.70</u>	<u>800.00</u>	<u>800.00</u>
Issued, Subscribed & Paid up:			
141,407,111 Equity Shares of Re 1/- each.	2.78	141.41	141.41
	<u>2.78</u>	<u>141.41</u>	<u>141.41</u>
Schedule 2 - Reserves and Surplus			
Capital Redemption Reserve	0.01	0.60	0.60
Contingency Reserve	1.96	100.00	100.00
Securities Premium	176.63	8,999.15	9,439.73
Exchange Fluctuation Reserve on Consolidation of overseas subsidiaries	0.04	1.89	4.21
General Reserve	79.13	4,031.74	2,815.99
Debenture Redemption Reserve	22.33	1,137.50	1,137.50
Reserve for Molasses Storage Tanks	0.66	33.86	32.27
Balance as per Profit & Loss Account	(36.11)	(1,839.75)	803.26
	<u>244.65</u>	<u>12,464.99</u>	<u>14,333.56</u>
Schedule 3 - Secured Loans			
Debentures			
10,000,000 - 9.45% Secured Redeemable Non-Convertible Debentures of Rs. 100 each - Series 84 (redeemed on August 29, 2008)	-	-	1,000.00
200 - 12% Secured Redeemable Non- Convertible Debentures of Rs.1,00,00,000 each series 15 of 2007-08 (redeemable at par on Feb. 25, 2011)	39.25	2,000.00	2,000.00
25 - Secured Redeemable Non- Convertible Debentures of Rs.1,00,00,000 each series 22 of 2007-08 MIBOR linked (redeemable at par on April 07, 2009)	4.91	250.00	-
100 - Secured Redeemable Non- Convertible Debentures of Rs.1,00,00,000 each series 27 of 2007-08 MIBOR linked (redeemable at par on June 05, 2009)	19.63	1,000.00	-
15 - 11% Secured Redeemable Non- Convertible Debentures of Rs.1,00,00,000 each series 30 of 2007-08 (redeemable at par on June 19, 2011)	2.94	150.00	-
Loans & Advances from Banks	498.72	25,409.80	20,642.80
Other Loans & Advances	135.05	6,880.82	6,793.81
	<u>700.50</u>	<u>35,690.62</u>	<u>30,436.61</u>

Notes :

1. i) Non-Convertible Debentures issued by Bajaj Hindusthan Limited (BHL), amounting to Rs.1250 Million (USD 24.54 Million)(Series 22 and Series 27 of 2007-08) are secured by a mortgage and charge in favour of the Trustees on the Company's immovable property located at Village and Taluka Dabhoi, District Vadodara in the State of Gujarat.
ii) Non Convertible Debentures issued by BHL amounting to Rs.2150 Million (USD 42.19 Million) (Series 15 and Series 30 of 2007-08) are secured/ to be secured by way of first pari passu charge on fixed assets of the Company. Execution of Debenture Trust Deed in this regard is under finalisation.
2. Working Capital / Short Term Loans from Banks (except for Short Term Loans aggregating to Rs.1946.09 Million (USD 38.20 Million)) are secured, on first pari passu charge basis, by hypothecation of inventories, book debts, other receivables and current assets and further secured / to be secured, on a third pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and respective properties of the Company. Documentation for mortgage in respect of certain loans is under finalisation.
3. Short Term Loans availed by BHL aggregating to Rs. 946.09 Million (USD 18.57 Million)are secured/ to be secured, on first pari passu charge basis, by hypothecation /charge on entire fixed assets (including inventories, book debts and other receivables) of the Company and Working Capital Demand Loan aggregating to Rs. 1000.00 Million (USD 19.63 Million)are secured/ to be secured on current assets of the company and third pari passu charge on fixed assets of the Company . Documentation for mortgage in respect of short term loans/working capital demand loan are under finalisation.
4. Term loans from Banks (except ECB of Yen 9,191.20 Million and Loans under Scheme for Extending Financial Assistance to Sugar Undertaking, 2007 for Rs.1967.20 Million (USD 38.61 Million) in respect of BHL and for Rs. 175.10 Million (USD 3.44 Million) in respect of Bajaj Hindusthan Sugar & Industries Ltd. (BHSIL)) are secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties and further secured (Except in case of Bajaj Eco-tec Products Ltd.), on second pari passu charge basis, by hypothecation of all the present and future current assets of the Company including inventories, book-debts and other receivables. Documentation for mortgage in respect of certain term loans/certain properties is under finalisation.
5. The ECB Loan of Yen 9,191.20 Million availed by BHL is secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/ to be secured, on first pari passu charge basis, by mortgage on the whole of immovable fixed assets and properties. Documentation for mortgage in respect of certain properties is under finalisation.
6. Loans under "Scheme for Extending Financial Assistance to Sugar Undertaking, 2007" amounting to Rs.1967.20 Million (USD 38.61 Million) in respect of BHL and for Rs. 175.10 Million (USD 3.44 Million) in respect of BHSIL included in Loans and Advances from Banks, are secured / to be secured on pari passu residual charge basis, by hypothecation of whole of movable fixed assets and properties and by mortgage on the Sugar Undertakings of respective Companies. Documentation for mortgage in respect of certain loans/certain properties is under finalisation.
7. Term loan in Foreign Currency (ECB) of Rs. 6348.50 Million (USD 124.60 Million) in BHSIL included in Other Loans and Advances, is secured by hypothecation of its movable fixed assets (present & future) at all factories and its immoveable assets (present and future) at its factories at Rudauli, Kundarkhi and Utraula together with all buildings and structures thereon and all plant and machinery attached thereto. The Charge is further secured by a pari passu first charge on all its immovable fixed assets at the factory at Pratappur, District Deoria in U.P. by Joint Equitable mortgage and by hypothecation of movable fixed assets. Also further secured, on a second pari passu charge basis, by hypothecation of its all the current assets (present and future).
8. The Sugar Development Fund loan from Government of India amounting to Rs.475.94 Million (USD 9.34 Million) in respect of BHL and Rs. 56.39 Million (USD 1.11 Million) in respect of BHSIL included in Other Loans and Advances, are secured/to be secured, on exclusive second charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage on the whole of immovable fixed assets and properties of the concerned sugar unit of the Company. BHL has also created security in favour of Government of India for certain other SDF loans aggregating to Rs.624.77 Million (USD 12.26 Million), that are yet to be disbursed to the Company, on exclusive second charge basis, by hypothecation of the entire movable fixed assets and properties of the respective sugar units for which the said SDF loans have been availed.

BAJAJ HINDUSTHAN LTD.

	As at March 31,2009 US\$ Million	As at March 31,2009 Rs. Million	As at March 31,2008 Rs. Million
Schedule 4 - Unsecured Loans			
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	134.50	6,852.77	5,375.95
Short Term Loan from Banks	19.67	1,002.27	586.75
Fixed Deposits	0.02	0.79	0.83
	154.19	7,855.83	5,963.53

Schedule 5 - Fixed Assets (Consolidated)
2008-09

Rs. Million US \$ Million

Sr. No.	DESCRIPTION	GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK	
		As at Oct. 1, 2008	Additions	Deductions & Adjustments	As at March 31,2009	As at Oct. 1, 2008	For the period	Deductions & Adjustments	Upto March 31,2009	As at March 31,2009	As at March 31,2009 US \$
1	Goodwill on consolidation	1,049.81	-	-	1,049.81	390.42	164.85	-	555.27	494.54	9.71
2	Land	1,233.90	20.16	-	1,254.06	-	-	-	-	1,254.06	24.61
3	Buildings	8,198.45	912.14	-	9,110.59	969.42	301.07	-	1,270.49	7,840.10	153.88
4	Plant & Machinery	35,047.12	3,769.88	20.63	38,796.37	5,071.97	1,192.85	11.40	6,253.42	32,542.95	638.72
5	Furniture, Fixures & Office Equipments	498.64	11.60	0.26	509.98	277.85	37.11	0.22	314.74	195.24	3.83
6	Vehicles	244.02	2.80	15.82	231.00	137.25	18.79	13.74	142.30	88.70	1.74
7	Railway Siding & Light Railways	1.97	-	-	1.97	1.90	0.01	-	1.91	0.06	-
8	Weighing Scales & Weigh Bridges	331.90	0.16	-	332.06	103.82	15.91	-	119.73	212.33	4.17
9	Electrical Fittings	482.76	3.35	-	486.11	149.89	24.93	-	174.82	311.29	6.11
10	Leased Assets:										
	a. Distillery Division:										
	- Land	18.92	-	-	18.92	-	-	-	-	18.92	0.37
	- Buildings	58.52	34.19	-	92.71	7.82	2.10	-	9.92	82.79	1.62
	- Plant & Machinery	238.97	-	-	238.97	66.68	8.28	-	74.96	164.01	3.22
	- Furniture, Fixures & Office Equipments	0.82	-	-	0.82	0.65	0.02	-	0.67	0.15	0.01
	- Electrical Fittings	20.40	-	-	20.40	4.62	1.17	-	5.79	14.61	0.29
11	Intangible Assets-Computer Software	26.01	4.37	-	30.38	8.93	2.97	-	11.90	18.48	0.36
	Total	47,452.21	4,758.65	36.71	52,174.15	7,191.22	1,770.06	25.36	8,935.92	43,238.23	848.64
12	Capital Work in progress	1,587.47	2,600.60	2,687.97	1,500.10	-	-	-	-	1,500.10	29.44
	Total	49,039.68	7,359.25	2,724.68	53,674.25	7,191.22	1,770.06	25.36	8,935.92	44,738.33	878.08

Note: (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.
(ii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.
(iii) Particulars of Capital work-in-progress:

Capital Work in Progress:	As at Oct. 1, 2008	For the period	Capitalised	As at March 31,2009
Advance to Suppliers / Contractors	204.87	146.72	140.47	211.12
Plant & Machinery / Civil work in progress	1,375.84	2,454.38	2,547.50	1,282.72
Preoperative Expenses				
Miscellaneous Expenses	6.76	(0.50)	-	6.26
Sub Total Preoperative Expenses	6.76	(0.50)	-	6.26
Total	1,587.47	2,600.60	2,687.97	1,500.10

BAJAJ HINDUSTHAN LTD.

Schedule 5 - Fixed Assets (Consolidated)
2007-08

Rs. Million

Sr. No.	DESCRIPTION	GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK
		As at Oct. 1, 2007	Additions	Deductions & Adjustments	As at March 31,2008	As at Oct. 1, 2007	For the period	Deductions & Adjustments	Upto March 31,2008	As at March 31,2008
1	Goodwill on consolidation	163.36	748.97	-	912.33	60.72	141.94	-	202.66	709.67
2	Land	1,207.88	7.29	0.01	1,215.16	-	-	-	-	1,215.16
3	Buildings	5,083.88	1,251.00	0.09	6,334.79	521.73	179.94	1.82	699.85	5,634.94
4	Plant & Machinery	20,758.15	9,505.10	53.96	30,209.29	3,273.36	841.68	16.92	4,098.12	26,111.17
5	Furniture, Fixures & Office Equipments	434.55	21.20	2.29	453.46	210.49	34.43	2.00	242.92	210.54
6	Vehicles	247.14	1.91	11.60	237.45	112.41	21.63	7.64	126.40	111.05
7	Railway Siding & Light Railways	1.97	-	-	1.97	1.89	0.01	-	1.90	0.07
8	Weighing Scales & Weigh Bridges	267.01	-	2.91	264.10	75.00	14.14	1.09	88.05	176.05
9	Electrical Fittings	479.01	0.99	-	480.00	96.48	26.93	-	123.41	356.59
10	Leased Assets:									
	a. Distillery Division:									
	- Land	18.87	0.05	-	18.92	-	-	-	-	18.92
	- Buildings	28.49	-	-	28.49	5.08	0.64	-	5.72	22.77
	- Plant & Machinery	235.88	-	-	235.88	50.15	8.20	-	58.35	177.53
	- Furniture, Fixures & Office Equipments	0.82	-	-	0.82	0.59	0.03	-	0.62	0.20
	- Electrical Fittings	8.07	-	-	8.07	3.06	0.37	-	3.43	4.64
	b. Cement Division - Plant & Machinery	256.69	-	-	256.69	256.69	-	-	256.69	-
11	Intangible Assets-Computer Software	26.01	-	-	26.01	3.16	3.16	-	6.32	19.69
	Total	29,217.78	11,536.51	70.86	40,683.43	4,670.81	1,273.10	29.47	5,914.44	34,768.99
12	Capital Work in progress	16,298.68	2,569.60	10,563.94	8,304.34	-	-	-	-	8,304.34
	Total	45,516.46	14,106.11	10,634.80	48,987.77	4,670.81	1,273.10	29.47	5,914.44	43,073.33

Notes: (i) Building includes an amount of Rs. 500/- being value of 10 shares of Rs. 50/- each in a co-operative society.
(ii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.
(iii) Particulars of Capital work-in-progress:

Capital Work in Progress:	As at Oct. 1, 2007	For the period	Capitalised	As at March 31,2008
Advance to Suppliers / Contractors	3,945.21	270.11	1,301.03	2,914.29
Plant & Machinery / Civil work in progress	11,466.92	1,254.81	7,692.96	5,028.77
Preoperative Expenses				
Manpower Cost	268.44	78.12	266.45	80.11
Power and Fuel	3.64	4.23	3.69	4.18
Rent	7.86	2.19	10.03	0.02
Rates and Taxes	7.98	(6.69)	0.96	0.33
Repairs - others	2.18	2.98	5.16	-
Insurance	38.46	4.10	33.98	8.58
Trial Run Expenses /Loss*	-	373.50	334.57	38.93
Miscellaneous Expenses	256.03	392.14	489.19	158.98
Interest	176.39	95.11	205.03	66.47
Finance Charges	117.62	0.01	117.63	0.00
Depreciation	7.95	98.99	103.26	3.68
Sub Total Preoperative Expenses	886.55	1,044.68	1,569.95	361.28
Total	16,298.68	2,569.60	10,563.94	8,304.34

Depreciation debited to the Profit & Loss Account	1,174.11
Depreciation debited to Capital work-in-progress	98.99
Total Depreciation for the year	1,273.10

* Trial Run Expenses/Loss:

Raw Material cost	917.13
Manpower Cost	52.55
Stores, Spares and Packing Materials consumed	101.58
Power and Fuel	21.48
Repairs	4.61
Miscellaneous Expenses	210.93
Interest	78.57
Total Expenses	1,386.85
Less: Income during Trial Run:	
Sale	5.10
Stock out of Trial Run	1,008.25
Total Income	1,013.35
Net Trial Run Expenses/Loss	373.50

BAJAJ HINDUSTHAN LTD.

	As at March 31,2009 US\$ Million	As at March 31,2009 Rs. Million	As at March 31,2008 Rs. Million
Schedule 6 - Investments (At Cost)			
Long Term Investments :			
A. Other than Trade			
Quoted, Fully Paid Equity Shares:			
48,000 (2008- 48,000) Shares of Bajaj Holding & Investment Ltd. (BHIL) of Rs.10/- each (formerly known as Bajaj Auto Ltd.) (USD 3,533)	-	0.18	0.18
48,000 (2008- 48,000) Shares of Bajaj Auto Ltd (BAL) of 10/- each (USD 1,374)	-	0.07	0.07
48,000 (2008- 48,000) Shares of Bajaj Finserv Ltd (BFSL) of Rs. 5/- each (USD 1,374)	-	0.07	0.07
9,750 (2008-9,750) Shares of Mukand Ltd. of Rs.10/- each	0.01	0.32	0.32
Quoted, Fully Paid Preference Shares			
2,437 (2008-2,437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each (USD 393)	-	0.02	0.02
B. Trade			
In Others *			
Unquoted Fully Paid Equity Shares:			
1,148,400 (2008-1,148,400) Shares of Bajaj Ebiz Pvt. Ltd. of Rs.10/- each	0.23	11.48	11.48
5,000 (2008-5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs.10/- each (USD 981)	-	0.05	0.05
	0.24	12.19	12.19
*Less: Provision for diminution in value of investments	0.23	11.53	11.53
	0.01	0.66	0.66
	March 31,2009	March 31,2009	March 31,2008
	Book Value	Book Value	Book Value
Quoted Investments	0.01	0.66	0.66
Unquoted Investments	-	-	-
	0.01	0.66	0.66
	Market Value	Market Value	Market Value
Quoted Investments	1.03	52.25	34.08
Unquoted Investments	-	-	-
	1.03	52.25	34.08

BAJAJ HINDUSTHAN LTD.

	As at March 31,2009 US\$ Million	As at March 31,2009 Rs. Million	As at March 31,2008 Rs. Million
Schedule 7 - Current Assets, Loans & Advances			
Current Assets :			
(a) Inventories (At cost or net realisable value whichever is lower, unless otherwise stated, as certified and valued by the Management)			
(i) Stores, Spare Parts and Packing Materials	12.51	637.21	596.35
(ii) Raw Material	4.52	230.17	99.71
(iii) Finished Stock	225.07	11,467.32	13,536.93
(iv) Materials in process	3.68	187.59	157.51
(v) By-Product	13.31	678.02	763.26
	259.09	13,200.31	15,153.76
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Good	0.19	9.79	13.87
Doubtful	0.08	4.28	4.28
Less : Provision	(0.08)	(4.28)	(4.28)
	-	-	-
Other Debts	16.32	831.74	804.94
	16.51	841.53	818.81
(c) Cash and Bank Balances			
Cash on hand	3.55	181.10	51.25
Balance with Scheduled Banks:			
(i) In Current Accounts	54.95	2,799.70	1,345.35
(ii) In Fixed Deposits	56.37	2,872.14	24.03
Balance with Non Scheduled Banks - In Current Accounts			
	0.17	8.50	20.95
	115.04	5,861.44	1,441.58
Loans and Advances:			
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)			
Other Companies	102.74	5,234.82	5,854.40
Other Company - Doubtful	0.45	22.91	22.91
Less: Provision	(0.45)	(22.91)	(22.91)
	-	-	-
Advances recoverable in cash or in kind or for value to be received	160.69	8,187.40	7,077.85
Deposits	2.57	131.07	138.59
Balance with Excise Department including Cenvat credits	41.58	2,118.50	2,480.78
MAT credit entitlement	6.88	350.60	419.05
Tax paid in advance (net of Provisions)	12.00	611.50	501.37
	326.46	16,633.89	16,472.04
	717.10	36,537.17	33,886.19

BAJAJ HINDUSTHAN LTD.

	As at March 31,2009 US\$ Million	As at March 31,2009 Rs. Million	As at March 31,2008 Rs. Million
Schedule 8 - Current Liabilities and Provisions			
A. Current Liabilities:			
Sundry Creditors	421.23	21,463.84	20,599.44
Unclaimed Redeemed Preference Share Capital (Rs.3,000/-) (USD 59)	-	-	-
Interest Accrued but not due	7.93	403.97	234.56
Deposits from Stockists and others	1.55	78.91	80.12
Unclaimed Dividend	0.06	2.85	2.42
	<u>430.77</u>	<u>21,949.57</u>	<u>20,916.54</u>
B. Provisions:			
For Employee Benefits	3.06	155.68	126.25
For Premium on redemption of FCCBs	40.13	2,044.41	1,603.83
For Foreign Exchange Gain	-	-	1,147.45
	<u>43.19</u>	<u>2,200.09</u>	<u>2,877.53</u>
	<u>473.96</u>	<u>24,149.66</u>	<u>23,794.07</u>

BAJAJ HINDUSTHAN LTD.

	2008-09 (6 Month) US\$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
Schedule 9 - Gross Sales/ Income from operations			
Sales:			
Manufactured Goods	189.41	9,650.43	9,179.52
By Products	3.88	197.63	368.54
Power	4.29	218.73	268.76
Export Incentives	0.03	1.41	0.87
	197.61	10,068.20	9,817.69
Schedule 10 - Other Income			
Surplus on Sale of Assets	0.06	3.26	0.17
Lease and Management Fees	0.21	10.68	79.20
Gain due to Foreign Exchange Fluctuation	0.83	42.06	-
Scrap / Stores sales	0.67	33.92	66.42
Provisions no longer required / Credit balances appropriated	23.92	1,218.57	0.30
Miscellaneous Receipts	1.57	79.85	57.39
	27.26	1,388.34	203.48
Schedule 11 - Raw Materials Consumed			
Opening Stock	2.54	129.52	58.62
Purchases	204.94	10,441.55	13,762.73
	207.48	10,571.07	13,821.35
Less: Closing Stock	4.52	230.17	99.71
	202.96	10,340.90	13,721.64
Schedule 12 - Manpower Cost			
Salaries & Wages	15.07	767.79	635.06
Contribution to Provident and other funds and schemes	1.39	70.67	88.47
Employee's Welfare Expenses	0.88	44.99	28.51
	17.34	883.45	752.04
Schedule 13 - Other Expenses			
Stores, Spares and Packing Materials consumed	9.85	501.95	806.94
Power and Fuel	3.57	182.13	111.10
Rent	0.36	18.55	16.55
Rates and Taxes	0.10	4.88	6.90
Repairs :			
Building	0.32	16.09	8.64
Machinery	3.42	174.41	256.18
Others	0.48	24.60	12.79
	4.22	215.10	277.61
Payment to Auditors for:			
Audit fees	0.03	1.48	1.42
Tax audit fees (USD 4514)	-	0.23	0.26
Certification work	0.01	0.56	0.36
Out of pocket expenses (USD 3,925)	-	0.20	0.35
	0.04	2.47	2.39
Payment to Cost Auditor (USD 196)	-	0.01	0.03
Insurance	0.14	7.27	6.27
Selling Commission	0.44	22.21	23.15
Selling & Distribution	4.21	214.66	145.57
Director fees	0.01	0.35	0.37
Donations (USD 1,963)	-	0.10	1.10
Loss due to Foreign Exchange Fluctuation (Net) (Refer Note 9)	-	-	155.38
Miscellaneous Expenses	4.97	251.67	187.77
Bad debts written off (USD 393)	-	0.02	-
Provision for Doubtful Debts / Advances	-	-	2.29
Loss on Assets Sold / Discarded	0.02	1.20	1.22
Prior Period Adjustment	0.48	24.34	-
	28.41	1,446.91	1,744.64

BAJAJ HINDUSTHAN LTD.

	2008-09 (6 Month) US\$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
Schedule 14 - Interest and Finance Charges (Net)			
Interest :			
Term Loans	8.60	438.40	289.92
Debentures	6.26	318.77	82.90
Working Capital Loans	12.12	617.42	250.22
Fixed Deposits	-	-	0.02
Others	10.76	548.43	161.15
	37.74	1,923.02	784.21
Less: Interest Income Gross			
On Loans	5.85	298.18	317.83
On Others	1.04	52.82	5.23
	6.89	351.00	323.06
	30.85	1,572.02	461.15
Add: Finance charges	1.07	54.30	35.15
	31.92	1,626.32	496.30
Schedule 15 - (Increase)/Decrease in Stocks			
Opening Stock:			
Finished Goods	136.16	6,937.27	3,315.09
Materials in process	1.92	97.67	-
By-product	2.45	124.71	272.03
	140.53	7,159.65	3,587.12
Add: Stock out of Trial Production:			
Finished Goods	-	-	863.06
Materials in process	-	-	85.21
By-product	-	-	59.98
	-	-	1,008.25
Less: Closing Stock:			
Finished Goods	225.07	11,467.32	13,536.93
Materials in process	3.68	187.59	157.51
By-product	13.31	678.02	763.26
	242.06	12,332.93	14,457.70
	(101.53)	(5,173.28)	(9,862.33)
Add/(Less): Excise Duty on Increase/Decrease in stocks.	5.09	259.24	641.51
	(96.44)	(4,914.04)	(9,220.82)

BAJAJ HINDUSTHAN LTD.

Schedule 16 - Statement on Significant Accounting Policies and Notes forming part of the Consolidated Accounts

1. System of Accounting:

- (i) The financial statements of Bajaj Hindusthan Ltd. ('the Company'), its Subsidiary Companies and Associate (the Group) have been prepared in compliance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.
- (ii) The financial statements are based on historical cost convention and are prepared on accrual basis.

2. Principles of Consolidation:

- (i) The consolidated financial statements of the Group have been prepared on the following basis:
- The consolidated financial statements of the Group are prepared in accordance with the Accounting Standard - 21 "Consolidated Financial Statements" and Accounting Standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).
 - The financial statements of the Company and its Subsidiary Companies have been consolidated on a line - by - line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra - group balances and intra - group transactions resulting in unrealised profits or unrealised cash losses.
 - Investment in the Associate has been accounted as per the equity method as prescribed in Accounting Standard - 23.
 - The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
 - The excess of cost of investment in the Subsidiary Companies over the Company's portion of equity of the Subsidiary at the date of investment made is recognised in the financial statements as goodwill, which is written off over a period of five years. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as capital reserve.
 - The financial statements of non - integral foreign operation are translated as follows:
 - The assets and liabilities are translated at the closing rate.
 - Income and Expenses items are translated at average exchange rate of the year.
 All differences are accumulated in a foreign currency translation reserve on consolidation until the disposal of the net investment.

(ii) Companies considered in the consolidated financial statements are:

Name of the Company	Country of incorporation	Holding as on March 31, 2009	Holding as on March 31, 2008	Financial Year ends on
Subsidiary:				
Bajaj Hindusthan Sugar and Industries Ltd.	India	75.00%	74.18%	September,30
Bajaj Eco-tec Products Ltd.	India	100.00%	100.00%	March, 31
Bajaj Aviation Private Ltd. # (Formerly known as Bajaj Hindusthan Holdings Private Ltd.)	India	100.00%	100.00%	September,30
Bajaj Eco-Chem Products Private Ltd.	India	100.00%	N.A.	March, 31
Bajaj International Participações Ltda. @	Brazil	100.00%	100.00%	April, 30
Bajaj Hindusthan (Singapore) Pte Ltd.	Singapore	100.00%	100.00%	September,30
Associate:				
Bajaj Ebiz Pvt. Ltd. *	India	49.50%	49.50%	March, 31

It is a 100% subsidiary of wholly owned subsidiary namely Bajaj Eco-tec Products Ltd.

@ Holding company alongwith its subsidiary (BHSIL) and its nominee together holds 100% capital.

* The company has made provision for permanent diminution in the value of its investment in Bajaj Ebiz Pvt. Ltd. (An associate company). Hence no further adjustment in the value of investment is required to be made in the consolidated financial statement.

(iii) Significant Accounting policies followed by Bajaj Hindusthan Ltd. (parent company) are as stated in the statement annexed to this Schedule (Annexure "A").

	2008-09 (6 Month) US \$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
3. Contingent Liabilities not provided for:			
(a) In respect of disputed demands/claims against the Company not acknowledged as debts:			
(i) Central Excise matters	6.35	323.48	205.22
(ii) Trade Tax matters	0.14	7.16	85.65
(iii) Other Claims	7.60	387.38	141.46
(iv) Income-tax matters (USD 393)	-	0.02	0.30
(b) A subsidiary has procured Imported as well as Indigenous Capital Goods under Export Promotion and Capital Goods Scheme (EPCG). The Export Obligation pending against such EPCG licenses.	44.24	2,254.08	2,254.08
4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	9.88	503.53	649.93

5. Managerial Remuneration:
The Profit & Loss Account includes payments and provisions on account of remuneration to managerial personnel as under:

	2008-09 (6 Month) US \$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
1. Salary, etc.	0.36	18.44	18.59
2. Commission	-	-	-
3. Contribution to Provident Fund and Superannuation	0.09	4.58	1.97
4. Other Perquisites	0.12	6.11	2.66
Total	0.57	29.13	23.22

6. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

a) Related parties and relationships for which disclosure is required under AS-18:

A. Associates and Joint Ventures

Bajaj E-biz Private Ltd. – Associate

B. Directors and their relatives

Mr. Shishir Bajaj - Chairman & Managing Director (Also key management personnel)
Mr. Kushagra Bajaj - Joint Managing Director (Also key management personnel)
and also son of Mr. Shishir Bajaj
Mr. Niraj Bajaj - Non Executive Director (resigned w.e.f December 31,2008)
Dr. Sanjeev Kumar, Director (Corporate & Legal Affairs) -Also key management personnel (Appointed w.e.f March 12,2009)
Mr. I. D. Mittal - Chief Executive Director (Also key management personnel) (resigned w.e.f February 6,2009)
Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal (upto February 06, 2009)

C. Key Management Personnel

Mr. Himanshu Shah, Managing Director, Bajaj Eco-tec Products Ltd.
Mr. Yogesh Arora Whole Time Director Bajaj Eco-tec Products Ltd. (resigned w.e.f March 17,2009)
Mr. Chandresh Chhaya - Manager & Company Secretary, Bajaj Hindusthan Sugar and Industries Ltd.

D. Enterprises over which any person described in (B) or (C) above is able to exercise significant influence

- 1 Bajaj Capital Ventures Pvt. Ltd.
- 2 Bajaj Electricals Ltd. (upto December 31,2008)
- 3 Bajaj Holding & Investment Ltd.
- 4 The Hindusthan Housing Co. Ltd. (upto December 31,2008)
- 5 Hind Musafir Agency Ltd. (upto December 31,2008)
- 6 Mukand Ltd. (upto December 31,2008)

6 b) Disclosure as required under AS-18 in respect of Related Party Transactions:

Transactions						Rs. Million	US\$ Million	
		Directors	Relatives of Directors	Key Management Personnel	Relatives of Key Management Personnel	Enterprises described in (D) above	Total	Total
I. Transactions during the period								
Purchase of Goods	2008-09 (6 Month)	-	-	-	-	0.42	0.42	0.01
	2007-08 (6 Month)	-	-	-	-	0.80	0.80	
Rendering of Services	2008-09 (6 Month)	-	-	-	-	3.40	3.40	0.07
	2007-08 (6 Month)	-	-	-	-	5.48	5.48	
Interest paid	2008-09 (6 Month)	-	-	-	-	-	-	-
	2007-08 (6 Month)	-	-	-	-	2.36	2.36	
Remuneration	2008-09 (6 Month)	-	-	29.13	0.95	-	30.08	0.59
	2007-08 (6 Month)	-	-	23.22	0.85	-	24.07	
Dividends received	2008-09 (6 Month)	-	-	-	-	-	-	-
	2007-08 (6 Month)	-	-	-	-	-	-	-
Sitting fees paid	2008-09 (6 Month)	0.35	-	-	-	-	0.35	0.01
	2007-08 (6 Month)	0.37	-	-	-	-	0.37	
Loans taken	2008-09 (6 Month)	-	-	-	-	-	-	-
	2007-08 (6 Month)	-	-	-	-	1,088.70	1,088.70	
Loans taken repaid	2008-09 (6 Month)	-	-	-	-	-	-	-
	2007-08 (6 Month)	-	-	-	-	1,088.70	1,088.70	
II. Amounts Outstanding at Balance Sheet date								
Deposits Outstanding	2008-09 (6 Month)	-	-	-	-	0.72	0.72	0.01
	2007-08 (6 Month)	-	-	-	-	0.84	0.84	

Notes:

1. Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.
2. No amount has been written off or written back during any of the period in respect of debts due from or to related parties.

7. Segment Information:

The Company has identified its Business Segments as its Primary Reportable Segments comprising of Sugar, Distillery and Power Divisions.

Primary Segment Information:

Particulars	2008-09 (6 Month) US\$ Million	2008-09 (6 Month) Rs. Million	2007-08 (6 Month) Rs. Million
1. Segment Revenue			
a. Sugar	177.31	9,033.96	8,227.50
b. Distillery	12.91	657.67	1,592.77
c. Power	16.90	861.14	1,158.33
d. Bagasse Board	7.93	404.09	-
e. Others	-	-	-
Total	215.05	10,956.86	10,978.60
Less : Inter- segment Revenue	26.80	1,365.54	1,856.30
Net Sales / Income from Operations	188.25	9,591.32	9,122.30
2. Segment Results (Profit (+)/ Loss(-) before tax and interest)			
a. Sugar	(0.72)	(36.73)	37.38
b. Distillery	(0.67)	(34.15)	287.25
c. Power	10.58	539.29	905.99
d. Bagasse Board	(5.07)	(258.55)	-
e. Others	(0.06)	(2.97)	(1.64)
Total	4.06	206.89	1,228.98
Less: (i) Interest (Net)	31.92	1,626.32	496.30
(ii) Other Un-allocable Expenditure net off			
Un-allocable Income	(24.44)	(1,245.49)	74.81
Total Profit / (Loss) before Tax	(3.42)	(173.94)	657.87
3. Segment Assets:			
a. Sugar	1,113.32	56,724.35	58,107.61
b. Distillery	93.35	4,756.49	4,756.75
c. Power	77.78	3,962.97	2,761.62
d. Bagasse Board	73.53	3,746.24	2,997.31
e. Others	3.53	179.84	107.50
Total	1,361.51	69,369.89	68,730.79
Add: Unallocated Corporate Assets	233.69	11,906.62	8,229.39
Total Assets	1,595.20	81,276.51	76,960.18
4. Segment Liabilities:			
a. Sugar	126.78	6,460.92	11,277.56
b. Distillery	7.24	369.13	683.33
c. Power	0.11	5.62	1.97
d. Bagasse Board	4.31	219.69	239.95
e. Others	0.03	1.33	0.16
Total	138.47	7,056.69	12,202.97
Add: Unallocated Corporate Liabilities	335.49	17,092.97	11,591.10
Total Liabilities	473.96	24,149.66	23,794.07
5. Capital Expenditure:			
a. Sugar	59.50	3,031.54	2,483.99
b. Distillery	6.91	352.18	20.66
c. Power	17.42	887.42	103.80
d. Bagasse Board	5.32	271.15	931.27
e. Others	2.25	114.49	-
f. Unallocated	0.28	14.50	2.45
Total	91.68	4,671.28	3,542.17
6. Depreciation:			
a. Sugar	26.25	1,337.52	975.67
b. Distillery	2.43	123.67	121.44
c. Power	2.29	116.66	49.70
d. Bagasse Board	3.27	166.67	-
e. Others	0.04	1.93	-
f. Unallocated	0.46	23.61	27.30
Total	34.74	1,770.06	1,174.11
7. Non Cash Expenditure other than Depreciation:			
a. Sugar	Nil	Nil	Nil
b. Distillery	Nil	Nil	Nil
c. Power	Nil	Nil	Nil
d. Bagasse Board	Nil	Nil	Nil
e. Unallocated	Nil	Nil	Nil
Total	Nil	Nil	Nil

Other disclosure:

- The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
- Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as differing risks and returns.
- The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The segment performance has been worked out after attributing the realisable value of inter segment transfer of material.

8. Deferred Taxation :

	As at March 31,2009 US \$ Million	As at March 31,2009 Rs. Million	As at March 31,2008 Rs. Million
Deferred Tax Liabilities:			
Depreciation	82.65	4,211.05	3,316.48
Total	<u>82.65</u>	<u>4,211.05</u>	<u>3,316.48</u>
Deferred Tax Assets:			
Provision for Employee Benefits	1.02	51.96	41.50
Expenses allowed on payment basis	0.07	3.68	3.68
Provision for doubtful debts / advances	0.02	0.78	0.78
Carry Forward loss and unabsorbed Depreciation	79.26	4,038.54	2,041.19
Total	<u>80.37</u>	<u>4,094.96</u>	<u>2,087.15</u>
Net Deferred Tax Liability / (Asset)	<u>2.28</u>	<u>116.09</u>	<u>1,229.33</u>

9. In compliance with the Notification dated March 31, 2009 issued by Ministry of Corporate Affairs, the Company has exercised the option as inserted by Paragraph 46 to the Accounting Standard AS-11 "The Effect of Changes in Foreign Exchange Rates". Accordingly Foreign Exchange Loss of Rs.1332.79 Million (USD 26.16 Million) for the period Oct.'08 to Mar.'09 has been adjusted to Capital Assets, For the accounting year ended September 30, 2008, foreign exchange loss of Rs. 1218.26 Million (USD 23.91 Million) net of Provision Rs. 1211.15 Million (USD 23.77Million), Gross Rs. 2429.41 Million (USD 47.68 Million) was debited to profit and loss account. In terms of the said notification, while the gross loss of Rs. 2429.41 Million (USD 47.68 Million) has been carried to the capital assets and credited to General Reserve, Provision for Exchange Fluctuation of Rs. 1211.15 Million (USD 23.77 Million) now not required, has been written back to the Profit and Loss Account and reflected under the head "Other Income". With respect to Bajaj Eco-Tec Products Ltd. loss on foreign exchange fluctuation Rs.157.03 million (USD 3.08 Million) has been capitalised to the cost of fixed assets.

10. The Hon'ble High Court of Allahabad while disposing the various Writ Petitions filed by the Company and other sugar producing factories, by its Order dated December 19, 2007 had, interalia, quashed the State Advised Price (SAP) for the season 2006-07 being arbitrary and unreasonable. Based on the legal advice, the Company had accounted for Sugar Cane liability for the season 2006-07 at Statutory Minimum Price (SMP) fixed by the Central Government.

Subsequently Hon'ble Supreme Court on a Special Leave Petition directed the sugar companies by its interim order dated February 27, 2008 to pay @ Rs.118/- per quintal for general variety of sugar cane and accordingly the company has fully discharged its cane liability. Necessary adjustment in accounts arising out of difference between SAP and SMP amounts to Rs. 4,821.74 million (USD 94.64 Million) will be considered as and when the matter is finally decided.

11. The Company has accounted for Sugar Cane Purchases for the season 2007-08 @ Rs.110/- per quintal pursuant to the interim Order dated September 08, 2008 of the Hon'ble Supreme Court of India. The Company has fully discharged its cane liability as per the said interim order. Necessary adjustment in accounts arising out of difference between SAP of Rs. 125 per quintal and Rs. 110/- per quintal amounts to Rs. 1,238.83 million (USD 24.31 Million) will be considered as and when the matter is finally decided.

12. Disclosures in respect of derivative instruments:

	2008-09 (6 Month)		2007-08 (6 Month)	
	Forward Contract	Swap	Forward Contract	Swap
	USD/ JPY (Million)	JPY/USD (Million)	USD/ JPY (Million)	JPY/USD (Million)
(i) Derivative instruments outstanding as at Mar 31, are as under:				
Loans taken		9,191.20		9,191.20
Debtors	10.00		17.00	
ECB	9.00		-	
(All the derivative instruments have been acquired for hedging purposes.)				
(ii) Foreign currency exposures that are not hedged as at Mar 31,				
Loans taken				USD 12.69 (Million)
Debtors				3.00
FCCB	134.50		134.50	
ECB	193.92		202.92	

13. The rate adopted for conversion of the balances denominated in INR into USD for the period ended March 31, 2009 is Rs. 50.95 for - 1 US\$ and which reflects the RBI closing rate for US \$ as on March 31,2009.

BAJAJ HINDUSTHAN LTD.

Statement on Significant Accounting Policies
Annexure 'A' referred to in Note No. 2 (iii) Schedule 16 to the Consolidated Accounts

1. System of Accounting:
 - (i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties and interest on delayed payment by parties.
 - (ii) Financial statements are based on historical cost.
2. Revenue recognition:
 - (i) Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyers. Sale of goods is exclusive of sales tax. Sales excludes captive consumption of molasses.
 - (ii) Sugar sold under levy quota for each season, is accounted at the price as notified by the Govt. as available till such time, pending final notification for each season. The difference in price pending final notification is accounted on an estimation by the management taking into account factors affecting the calculation of levy sugar price.
 - (iii) Export incentive in the nature of Duty Draw back or "Duty Entitlement Pass Book" under "Duty Exemption Scheme" is accounted for in the year of Export.
3. Fixed Assets and Depreciation:
 - (a) Fixed Assets:
 - (i) Fixed assets are carried at cost of acquisition or construction cost, less accumulated depreciation (except free hold land) and amortisation.
 - (ii) Expenditure during construction period incurred on the projects under implementation are treated as Pre-operative Expenses pending allocation to the assets, and are included under "Capital Work in Progress". These expenses are apportioned to fixed assets on commencement of commercial production. Capital Work in Progress is stated at the amount expended upto the date of Balance Sheet.
 - (b) Depreciation:
 - (i) Depreciation on all the assets has been provided as under: -
 - (a) Plant & Machinery: On straight-line method basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
 - (b) Other Assets: On written down value basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
 - (ii) Depreciation on assets added, sold or discarded during the year has been provided on pro-rata basis.
 - (iii) Intangible assets represented by computer software is being amortised over a period of five years.
4. Investments:

All long term investments are stated at cost of acquisition. Diminution in value of such long term investments is not provided for except where determined to be of permanent nature.
5. Inventories:
 - (i) Stock of Raw Materials is valued at cost or net realisable value whichever is lower. Cost is arrived at on FIFO Basis.
 - (ii) Stock of Materials-in-Process and Finished goods is valued at cost or net realisable value whichever is lower. *
 - (iii) Stores, Spares and Packing material are valued at cost. Cost is arrived at on Weighted Average Basis.
 - (iv) Obsolete stores and spares when identified and technically determined, are valued at estimated realisable value.
 - (v) By-products - Molasses and Bagasse has been valued at estimated realisable value.
 - (vi) Trial run inventories are valued at cost or estimated realisable value whichever is lower. *

* Cost is arrived at on full absorption basis as per Accounting Standard AS-2 "Valuation of Inventories".
6. Research and Development:

Revenue expenditure on Research and Development is charged against the profit for the year.

Capital expenditure on Research and Development is shown as an addition to Fixed Assets.
7. Government Grants:

Government grants / subsidies received towards specific Fixed assets have been deducted from the Gross value of the concerned Fixed assets and grant / subsidies received during the year towards revenue expenses have been reduced from respective expenses. Capital Subsidies under Sugar Promotion Policy, 2004 is recognised to the extent the claims are accepted and settled.
8. Foreign Currency Transactions:

Foreign Currency transactions are recorded at the rates of exchange prevailing on the date of transaction. Monetary foreign currency assets and liabilities outstanding at the close of the financial year are revalued at the exchange rates prevailing on the balance sheet date. Exchange differences arising on account of fluctuation in the rate of exchange is recognised in the Profit & Loss Account. (Also refer Note 9 to schedule 16).

9. Employee Benefits:

(a) Short Term Employee Benefits:

(i) Short term employee benefits are recognised as expenditure at the undiscounted value in the Profit and Loss Account of the year in which the related service is rendered.

(b) Post Employment Benefits:

Company's contribution to the superannuation scheme, pension under Employees' Pension Schem, 1995 etc. are recognised during the year in which the related service is rendered.

(ii) Defined Benefit Plans:

- Gratuity:

Gratuity liability is covered under the Gratuity-cum-Insurance Policy of Life Insurance Corporation of India (LIC) by BHL Employees' Gratuity Fund. The present value of the obligation is determined based on an actuarial valuation, using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit and Loss Account. The amount funded by the Trust administered by the Company under the aforesaid Policy, is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on a net basis.

- Provident Fund:

Monthly contributions are made to a Trust administered by the Company. The interest rate payable by the Trust to the beneficiaries is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on the investments of the Trust and the notified interest rate.

(c) Long term compensated absences are provided on the basis of actuarial valuation.

(d) Compensation to employees under Voluntary Retirement Scheme is charged to Profit and Loss Account in the year of accrual.

10. Borrowing Cost:

(i) Borrowing cost attributable to acquisition and construction of assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use and other borrowing costs are charged to profit & loss account.

(ii) Expenses on issue of shares, debentures and foreign currency convertible bonds (FCCBs) , premium on redemption of FCCBs, which is being provided entirely on issuance as well as exchange rate difference arising on revaluation of such premium are charged to "Securities Premium Accounts" in accordance with Section 78 of the Companies Act, 1956.

11. Provision for Current and Deferred Tax:

(i) Provision for Current tax is made with reference to taxable income computed for the accounting period for which the financial statements are prepared by applying the tax rates relevant to the respective 'Previous Year'. Minimum Alternate Tax (MAT) eligible for set-off in subsequent years (as per tax laws), is recognised as an asset by way of credit to the Profit and Loss Account only if there is convincing evidence of its realisation. At each Balance Sheet date, the carrying amount of MAT Credit Entitlement receivable is reviewed to reassure realisation.

(ii) Deferred Tax resulting from 'timing difference' between book and taxable profit for the year is accounted for using the current tax rates. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future. However, in case of deferred tax assets (representing unabsorbed depreciation or carry forward losses) are recognised, if and only if there is a virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised.

12. Impairment of Assets:

The Carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

13. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Financial Statements. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

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