Preliminary Placement Document
Not for circulation
Serial no:

The information in this Preliminary Placement Document is not complete and may be changed. We may not sell these securities or accept an offer to buy these securities until this Preliminary Placement Document is delivered in final form. This Preliminary Placement Document is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

KAVVERI TELECOM PRODUCTS LIMITED

*Kavveri Telecom Products Limited (the "**Company**", "**Issuer**" or "**KTPL**") was originally incorporated on January 19, 1996 as "**Kaveri Telecoms Limited**" under the provisions of the Companies Act, 1956. Subsequently, our Company's name was changed to "**Kavveri Telecom Products Limited**" with effect from August 22, 2003. The Company's Corporate Identity Number is L85110KA1996PLC019627.*

Our Company is issuing [●] equity shares of the face value of Rs. 10 each (the "**Equity Shares**") at the price of Rs. [●] per Equity Share, including a premium of Rs. [●] per Equity Share, aggregating up to Rs. [●] lakhs (the "**Issue**").

THIS ISSUE IS A QUALIFIED INSTITUTIONS PLACEMENT PURSUANT TO CHAPTER VIII OF THE ICDR REGULATIONS

THIS ISSUE AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "ICDR REGULATIONS"). 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 OTHER THAN QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER ICDR REGULATIONS).

This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), the National Stock Exchange of India Limited (the "NSE"), the Bangalore Stock Exchange Limited (the "BgSE") and the Bombay Stock Exchange Limited, wherein our Company's shares are traded on the Indonext segment of the Bombay Stock Exchange Limited (the "BSE", and together with the NSE and BgSE, the "Stock Exchanges") or any other regulatory or listing authority and is intended only for use by QIBs. 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.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to this Preliminary Placement Document, the Bid cum Application Form, and the Confirmation of Allocation Note. For further information, see the section titled "***Issue Procedure***" in this Preliminary Placement Document. The distribution of this Preliminary Placement Document or the disclosure of its contents without our prior consent, to any person other than Qualified Institutional Buyers (as defined in the ICDR Regulations) ("**QIBs**") and persons retained by such QIBs to advise them with respect to their purchase of 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.

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

The information on our website or any website directly or indirectly linked to such 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 our Company's outstanding Equity Shares are listed on the NSE and BgSE; and are traded on the NSE, BgSE and Indonext segment of the BSE. On October 13, 2011, the closing prices of the outstanding Equity Shares of our Company as reported on the NSE, BgSE and Indonext segment of the BSE were Rs.139.15, Rs. Nil and Rs. 139.20, respectively. Applications shall be made for the listing of the Equity Shares in connection with this Issue on the NSE and the BgSE and the trading application with respect to the same shall be made for the Indonext segment of the BSE. 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 our Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH 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 DIRECTIVE MAY RESULT IN A VIOLATION OF THE ICDR REGULATIONS 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 Placement Document will be filed with the Stock Exchanges and will be delivered to the SEBI for record purposes.

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

The Equity Shares issued pursuant to the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any state securities laws in the United States, and may not be offered, sold or re-sold within the United States, except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold in the Issue only to QIBs (as defined in the ICDR Regulations) outside the United States in reliance on Regulation S under the Securities Act. The Issue is not being made to the public or any other class of investors other than QIBs. For further details, see section titled "***Transfer Restrictions***".

This Preliminary Placement Document is dated October 14, 2011.

Global Co-ordinator and Book Running Lead Manager

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Co-Book Running Lead Manager

Saffron Capital Advisors Private Limited
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Website: www.saffronadvisor.com

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NOTICE TO INVESTORS

Our Company accepts full responsibility for the information contained in this Preliminary Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries, confirms that this Preliminary Placement Document contains all information with respect to our Company, our Subsidiaries and the Equity Shares which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to our Company, our Subsidiaries and the Equity Shares are, in every material respect, true and accurate and not misleading; the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company, our Subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company, our Subsidiaries and are based on reasonable assumptions. There are no other facts in relation to our Company, our Subsidiaries 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 our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Book Running Lead Managers have not separately verified all of the information (financial, legal or otherwise) contained in this Preliminary Placement Document. Accordingly, neither the Book Running Lead Managers nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Book Running Lead Managers make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Book Running Lead Managers as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with our Company, our Subsidiaries and the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the Book Running Lead Managers nor on any person affiliated with the Book Running Lead Managers in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on his own examination of our Company and the merits and risks involved in investing in the Equity Shares. Prospective investors should not construe anything in this Preliminary Placement Document as legal, business, tax, accounting or investment advice.

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 our Company or the Book Running Lead Managers. 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 or any other regulatory authority in any jurisdiction. None of these authorities have 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 of the Equity Shares in certain jurisdictions may be restricted by law. 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. In particular, no action has been taken by our Company and the Book Running Lead Managers which would permit an issue of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any Issue material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except 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 our 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 our

Company nor the Book Running Lead Managers are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations.

Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is a QIB eligible to invest in India and in the Company under Chapter VIII of the ICDR Regulations and is not prohibited by the SEBI or any other regulatory authority from buying, selling or dealing in securities. Each purchaser of the Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request and review information relating to us and the Equity Shares from us.

This Preliminary Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

REPRESENTATIONS BY INVESTORS

All references to "**you**" in this section are to the prospective investors in the Issue. By purchasing any Equity Shares under this Issue, you are deemed to have acknowledged and agreed with our Company and the Book Running Lead Managers as follows:

- you are a QIB as defined in Regulation 2(1)(zd) of the ICDR Regulations having a valid and existing registration under the applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any of the Equity Shares that are Allocated to you for the purposes of your business in accordance with Chapter VIII of the ICDR Regulations;

- you have made, or will be deemed to have made, as applicable, the representations set forth under the section titled "***Transfer Restrictions***";

- you are aware that the Equity Shares have not been and will not be registered under the Companies Act, SEBI regulations or under any other law in force in India. The 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. The Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and will be displayed on the websites of our Company and the Stock Exchanges;

- you are entitled to subscribe to and/or purchase the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other guarantees and other consents in either case which may be required there under 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 this Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Preliminary Placement Document) and will honour such obligations;

- neither our Company nor the Book Running Lead Managers is making any recommendations to you or advising you regarding the suitability of any transactions you may enter into in connection with this Issue and that participation in this Issue is on the basis that you are not and will not be a client of the Book Running Lead Managers and that the Book Running Lead Managers does not have duties or responsibilities to you for providing the protections afforded to its clients or customers or for providing advice in relation to this Issue;

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;

- you were provided a serially numbered copy of the Preliminary Placement Document and have read the Preliminary Placement Document in its entirety including, in particular, the section titled the "***Risk Factors***";

- that in making your investment decision, (i) you have relied on your own examination of our Company and the terms of this Issue, including the merits and risks involved, (ii) you have made your own assessment of our Company, the terms of this Issue, based on such information as is publicly available, (iii) you have consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, (iv) you have relied upon your own investigation and resource in deciding to invest in the Equity Shares, and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our 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 Book Running Lead Managers, our Company and/or the officers of our Company for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing by each such managed account to acquire the Equity Shares for each managed account (and you hereby make) the 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 (as defined in the ICDR Regulations) or a person related to the Promoters of our Company, either directly or indirectly, and your Bid does not, directly or indirectly, represent any Promoter or Promoter Group of our 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 our Company other than that acquired in the capacity of a lender, which shall not be deemed to be a person related to the Promoters;

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

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

- if Allotted the Equity Shares pursuant to this Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the recognised Stock Exchanges;

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

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

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

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

  (b) 'control' shall have the same meaning as is assigned to it by clause (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 NSE and BgSE and trading approval for the Equity Shares is issued by the BSE;

- you are aware that we have received from the stock exchanges in-principle approval for the listing of Equity Shares on NSE and BgSE 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 Book Running Lead Managers will enter into an agreement with our Company whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, undertaken to use its reasonable endeavours as agents of our Company to seek to procure purchasers for the Equity Shares;

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

- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in the 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 the Book Running Lead Managers or our Company (including any view, statement, opinion or representation expressed in any research published or distributed by the Book Running Lead Managers or its affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) and neither the Book Running Lead Managers nor our Company will be liable for your decision to accept an invitation to participate in this Issue based on any other information, representation, warranty or statement;

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

- you understand that the Book Running Lead Managers have no 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 our Company of any of its respective obligations or any breach of any representations or warranties by our Company, whether to you or otherwise;

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

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

- you understand that the Equity Shares issued pursuant to the Issue have not been and will not be registered under the Securities Act or any state securities laws in the United States, and may not be offered, sold or resold within the United States, except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold in the Issue only to QIBs (as defined in the ICDR Regulations) outside the United States in reliance on Regulation S under the Securities Act. You were and are, at each time any offer of Equity Shares was or is made to you and at each time any buy order of yours for Equity Shares was or is originated, outside the United States (within the meaning of Regulation S); you are purchasing your Equity Shares in a transaction meeting the requirements of Regulation S; and you are not an affiliate of our Company or a person acting on behalf of such an affiliate;

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

- that our Company, the Book Running Lead Managers and others will rely upon the truth and accuracy of your foregoing representations, warranties, acknowledgements and undertakings, each of which is given to the Book Running Lead Managers and to our Company on your own behalf and each of which is irrevocable; and

- that each of the representations, warranties, acknowledgments and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, (the "**FII Regulations**") foreign institutional investors as defined under the FII Regulations, or their sub-accounts (together referred to as "**FIIs**"), including FII affiliates of the Book Running Lead Managers are permitted to issue, deal or hold, off-shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such off-shore derivative instruments are referred to herein as "**P-Notes**"), listed or proposed to be listed on any stock exchange in India subject to the satisfaction of the following conditions:

(i) the P-Notes are issued only to persons who are regulated by an appropriate foreign regulatory authority; and

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

In terms of the FII Regulations, on and from May 22, 2008, no sub account of an FII is permitted to, directly or indirectly, issue P-Notes. 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 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 our Company and do not constitute any obligations of, claim on, or interests in our Company. Our 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 our Company. Our 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 Book Running Lead Managers and do not constitute any obligations of, or claim on, Book Running Lead Managers.

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 the Preliminary Placement Document;

2. warrant that the Company's Equity Shares (including the Equity Shares Allotted in this Issue) will be listed or will continue to be listed on the NSE and the BgSE and will be allowed to trade or will continue to trade on the Stock Exchanges; or

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

and it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All of our Directors and executive officers named herein are citizens of India and a substantial portion of assets of such persons is located in India. As a result, it may be difficult for investors to effect service of process upon our Company or such persons 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 (the "**CPC**") on a statutory basis. Section 13 of the CPC provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless the context otherwise indicates or implies, references to "**you**", "**offeree**", "**purchaser**", "**subscriber**", "**recipient**", "**investors**" and "**potential investor**" are to the prospective investors in this Issue, references to the/ our "**Company**" , "**Kavveri**", "**KTPL**", "**Kavveri Group**", "**we**", "**our**", "**us**" or similar terms are to Kavveri Telecom Products Limited or, as the context requires, Kavveri Telecom Products Limited and its Subsidiaries.

In this Preliminary Placement Document, references to "**US$**" and "**U.S. Dollars**" are to the legal currency of the United States of America, references to "**CAD**" and "**Canadian Dollars**" are to the legal currency of Canada, and references to "**Rs.**" "`" And "**Rupees**" are to the legal currency of India. All references herein to the "**U.S**.", "**U.S.A**." or the "**United States**" are to the United States of America and its territories and possessions and all references to "**India**" are to the Republic of India and its territories and possessions. We publish our financial statements in Rupees.

Unless otherwise stated, references in this Preliminary Placement Document to a particular year are to the calendar year ended on December 31 and to a particular "**Fiscal**", "**Financial Year**" or "**FY**" is to the year ended on March 31. Our audited consolidated financial statements as of and for the years ended March 31, 2009, 2010 and 2011 were prepared in accordance with Indian GAAP and are included in this Preliminary Placement Document and are referred to herein as the "**Financial Statements**".

We prepare our financial statements in accordance with Indian GAAP. Indian GAAP differs significantly in certain respects from IFRS. We have not provided a reconciliation of our financial statements to IFRS. See the section titled"***Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition.***"

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

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our businesses contained in this Preliminary Placement Document consist of estimates based on data reports compiled by professional organizations and analysts, data from other external sources and our knowledge of the markets in which we compete. The statistical information included in this Preliminary Placement Document relating to various industries in which we operate has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Book Running Lead Managers have independently verified this data and neither we nor the Book Running Lead Managers make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Book Running Lead Managers can assure potential investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

Certain 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', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', or other words or phrases of similar import.

All statements regarding our Company's expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, its revenue and profitability, growth plans and other matters discussed in this Preliminary Placement Document 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, assumptions and other factors that may cause our Company's 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. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General political, economic and business conditions in India and other countries;
- Our Company's ability to successfully implement its strategy, its growth and expansion plans, and technological changes;
- Cost overruns, delays and disruptions in completion and commissioning of our projects;
- The effect of changes in our Company's sector, including the regulatory environment;
- Our Company's ability to finance its business and growth;
- Performance of the telecom equipments industry in India;
- Global performance of the wireless subsystem industry;
- Potential mergers, acquisitions or restructurings;
- Performance of the Indian debt and equity markets;
- Occurrence of natural calamities or natural disasters affecting the areas in which our Company has operations;
- Changes in laws and regulations that apply to companies in India, especially those relating to the manufacturing of telecom equipments industry;
- Changes in the foreign exchange control regulations in India; and
- Other factors discussed in this Preliminary Placement Document, including in the section titled *"**Risk Factors**"*.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under sections titled *"**Management's Discussion and Analysis of Financial Condition and Results of Operations**"*, *"**Our Industry**"* and *"**Business**"*.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of our management, as well as the assumptions made by and information currently available to our 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 those described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. The forward looking statements speak only as of the date of the Preliminary Placement Document and we assume no responsibility to update any of the forward looking statements to reflect events or circumstances after the date of this Preliminary Placement Document.

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 Equity 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 Equity Shares.

The following table sets forth information concerning exchange rates between the Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by the Reserve Bank of India. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

	Period End	**Average**	**High**	**Low**
Financial Year	**(Rs. per US $1.00)**			
2011	44.65	45.58	47.57	44.03
2010	45.14	47.42	50.53	44.94
2009	50.95	45.91	52.06	39.89
Quarter Ended				
June 30, 2011	44.72	44.74	45.38	44.04
March 31, 2011	44.65	45.26	45.95	44.65
December 31, 2010	44.81	44.86	46.04	44.03
September 30, 2010	44.92	46.50	47.33	44.92
June 30, 2010	46.60	45.67	47.57	44.33

Source: www.rbi.org.in

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

The following table sets forth information concerning exchange rates between the Rupee and the CAD for the periods indicated. Exchange rates are based on the reference rates released by the Reserve Bank of India. No representation is made that any Rupee amounts could have been, or could be, converted into CAD at any particular rate, the rates stated below, or at all.

	Period End	**Average**	**High**	**Low**
Financial Year	**(Rs. per CAD 1.00)**			
2011	49.00	46.37	49.09	44.79
2010	45.31	44.35	45.79	42.83
2009	44.18	42.53	45.02	39.29
Quarter Ended				
June 30, 2011	46.41	46.29	46.41	46.16
March 31, 2011	46.57	46.53	46.57	46.49
December 31, 2010	45.31	45.37	45.43	45.31
September 30, 2010	43.59	43.65	43.72	43.65
June 30, 2010	44.31	44.45	44.59	44.31

Source: www.oanda.com

DEFINITIONS AND ABBREVIATIONS

In this Preliminary Placement Document, the following terms and abbreviations have the following meanings, unless the context otherwise permits or requires. Any references to statutes, or rules, regulations or policies issued thereunder, shall include reference to any amendments thereto, from time to time.

Company Related Terms

Term	Description
"**Kavveri**" or "**KTPL**" or "**Company**" or "**the Company**" or "**We**" or the "**Issuer**"	Kavveri Telecom Products Limited
Articles/ Articles of Association	Articles of Association of our Company, as amended
Auditors	S. Janardhan and Associates, Chartered Accountants, the statutory auditors of our Company
Board or Board of Directors	Board of Directors of our Company
Directors	The directors of our Company
Equity Shares	Equity Shares of our Company of face value of Rs. 10 each, including the [●] Equity Shares being issued and Allotted in this Issue
Memorandum/ Memorandum of Association	Memorandum of Association of our Company
Promoters	Our Promoters are Mr. Chennareddy Shivakumar Reddy, Mrs. Rajupeta Hanumanthareddy Kasturi and Ms. Chennareddy Uma Reddy.
Promoter Group	The companies which comprise our Promoter Group are Kavveri Telecom Innovations Private Limited, SMR Telecom Holdings Private Limited, Kavveri Telecom Infrastructure Limited, Eaicom India Private Limited, Kavveri Telecom Products UK Limited and Kavveri Technologies Inc. The natural persons who form part of our Promoter Group (due to their relationship with our Promoters) are Mr. Chennareddy Veera Reddy, Mr. Chennareddy Rohit Reddy, Mr. Chennareddy Mokshit Reddy, Mr.Chennareddy Sanket Ram Reddy, Ms. Chennareddy Ruma Reddy, Mrs. Chennareddy Prameelamma, Mrs. Rajupeta Hanumanthareddy Padmamma, Mr. R.H. Jayaram Reddy and Mrs. R H Geeta
Registered Office	Kaveri Industrial Complex, Plot No. 31-36, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore- 560076, India.
RoC	Registrar of Companies, Karnataka.
Subsidiaries	Eaicom India Private Limited, Kavveri Telecom Infrastructure Limited, Kavveri Telecom Products UK Limited, Kavveri Technologies Inc., Til Tek Antenna Inc., DCI Digitial Communications Inc., Trackcom Systems International Inc., Spotwave Wireless Limited and Kavveri Realty 5 Inc.

Business and Industry related terms

Term	Description
ABS	Acrylonitrile Butadiene Styrene
Axis Bank	Axis Bank Limited
Attentuators	A device used to attenuate RF power
Band Pass Filters	Band Pass Filters are used to pass the required frequency band and reject unwanted frequency.
Beam Switching Antenna	Beam switching antenna is an array of eight arranged in circular

Term	Description
	form at 45 degrees apart in order for 360 degree coverage
BOL	Build-Operate-Lease
BOO	Build-Own-Operate
CapEx	Capital Expenditure
CDMA	Code Division Multiple Access
CPE	Customer Premises Equipment
Circulators	A device used for channelising RF power.
Combiners	Combiners are microwave passive device and are used to combine multiple frequency signals. The main application of a combiner is in in-building solutions wherein it combines signals of various service providers.
Couplers	Couplers are useful for monitoring and measuring power levels from antennas and different points in a communications system.
DCS	Digital Cellular System
Diplexers	Diplexers are used to combine signals of two different frequencies
Duplexers or Duplex Filters	Duplexers are used for transmission and reception of RF signals, by using a single antenna and by providing necessary isolation between transmission and reception ports
dBi	Decibel Isotropic
Filters	A device used to filter unwanted frequencies thereby allowing only the required band of frequencies
GDP	Gross Domestic Product
GSM	The Global System for Mobile communication
IBS	In Building Solutions
ICICI Bank	ICICI Bank Limited
ISO	Internation Organisation for Standardisation
Isolators	A device used to allow the transmission of signals only in one direction
Low Noise Amplifiers	A device used to amplify very weak signal to the required level with less noise
LTE	Long Term Evolution
MARR	Multiple Access Radio Relay
NQA	National Quantity Assessors
OEM	Original Equipment Manufacturer
OpEx	Operational Expenditure
PCS	Personal Communication System
PIM	Passive Inter Modulation
Power Combiners	A device used to combine different signals with same or different power levels
Power Splitters	Power Splitters are used to divide an incoming RF signal equally into output ports.
QA	Quality Assurance
R&D	Research and Developement
RF	Radio Frequency
RX	Receiver
SBI	State Bank of India Limited
TMA	Tower Mount Amplifiers
TMB	Tower Mount Boosters
TRAI	Telecom Regulatory Authority India
UMTS	Universal Mobile Telecommunications System
VIP	Very Important Person
VHF	Very High Frequency
WiMAX	Worldwide Interoperability for Microwave Access

Term	Description
2G	Second Generation of Mobile Telephony
3G	Third Generation of Mobile Telephony
4G	Fourth Generation of Mobile Telephony

Issue Related Terms

Term	Description
Allocated /Allocation	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by them, in consultation with the Book Running Lead Managers and in compliance with Chapter VIII of the ICDR Regulations
Allotment /Allotted	The Allotment and issue of Equity Shares pursuant to the Issue
Allottees	QIBs to whom Equity Shares of our Company are issued pursuant to the Issue
Bid	An indication of a QIBs interest to subscribe for the Equity Shares
Bid Closing Date	[●], 2011, i.e. the date on which the Company (or the Book Running Lead Managers on behalf of the Company) shall cease the acceptance of duly completed Bid cum Application Form for the Issue, from the QIBs
Bid cum Application Form	Form (including any revisions thereof) which the QIBs are required to complete and return to the Book Running Lead Managers, and pursuant to which a QIB subscribes for the Equity Shares Allocated to such QIB
Bid Opening Date	October 14, 2011, i.e. the date on which the Company (or the Book Running Lead Managers on behalf of the Company) shall commence the acceptance of duly completed Bid cum Application Form for the Issue, from the QIBs
Bidding Period	The period between the Bid Opening Date and Bid Closing Date, inclusive of both dates, during which the QIBs may submit their Bids
Book Running Lead Managers	The Global Co-ordinator and Book Running Lead Manager together with the Co-Book Running Lead Manager
CAN/Confirmation of Allocation Note	Note or advice or intimation to not more than 49 QIBs confirming the Allocation of Equity Shares to such QIBs after discovery of the Issue Price and to pay the entire Issue Price for all the Equity Shares allocated to such QIBs
Co-Book Running Lead Manager	Saffron Capital Advisors Private Limited
Cut-off Price	The Issue Price of the Equity Shares which shall be finalized by our Company in consultation with the Book Running Lead Managers at or above the Floor Price
Designated Date	The probable designated date for the credit of the Equity Shares to the QIBs' accounts
Floor Price	The floor price of Rs. 134.13 for each Equity Share, calculated in accordance with Chapter VIII of the ICDR Regulations
Global Co-ordinator and Book Running Lead Manager	Enam Securities Private Limited
ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended
Issue	The offer and issuance of the Equity Shares to QIBs, pursuant to Chapter VIII of the ICDR Regulations
Issue Price	The final price at which Equity Shares will be Allotted in terms of the Preliminary Placement Document, as determined by our

Term	Description
	Company in consultation with the Book Running Lead Managers, on the Pricing Date
Issue Size	The Issue of [●] Equity Shares aggregating to Rs. [●] lakhs
Listing Agreements	The agreements entered into between the Company and the NSE and BgSE in relation to listing of the Equity Shares on the NSE and BgSE respectively
Pay-in date	The last date specified in the CAN for payment of application monies by the QIBs
Payment Collection Bank	Axis Bank Limited
Placement Agreement	The placement agreement dated October 10, 2011 entered into between the Company and the Book Running Lead Managers, as the placement agents.
Placement Document	The Placement Document, dated [●] 2011 issued in accordance with Chapter VIII of the ICDR Regulations
Preliminary Placement Document	This Preliminary Placement Document, dated October 14, 2011 issued in accordance with Chapter VIII of the ICDR Regulations
QIB or Qualified Institutional Buyer	Qualified Institutional Buyer, as defined under Regulation 2(1)(zd) of the ICDR Regulations
QIP	Qualified Institutions Placement under Chapter VIII of the ICDR Regulations
Stock Exchanges	The NSE, The BgSE and The BSE

General Terms and Abbreviations

Term	Description
Air Act	Air (Prevention and Control of Pollution) Act, 1981, as amended
AS	Accounting standards issued by the Institute of Chartered Accountants of India
BgSE	Bangalore Stock Exchange Limited
BSE	Bombay Stock Exchange Limited
Bank Account	The bank account opened by the Company with the Payment Collection Bank
CAGR	Compounded Annual Growth Rate
CAD	Canadian Dollar
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CIN	Corporate Identity Number
Companies Act	The Companies Act, 1956, as amended
CPC	Civil Procedure Code, 1908
CRISIL	CRISIL Limited, a company registered under the Companies Act, having its registered office at CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076.
DDCI	DCI Digital Communications Inc.
DIN	Director Identification Number
Delisting Regulations	SEBI (Delisting of Equity Shares) Regulations, 2009
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended
Depository Participant	A depository participant as defined under the Depositories Act
EBIDTA	Earnings Before Interest, Depreciation and Tax
EGM	Extraordinary General Meeting
EIPL	Eaicom India Private Limited
Environment Act	Environment Protection Act, 1986, as amended

Term	Description
EPS	Earnings per share
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Section 2(f) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 as amended) registered with SEBI under applicable laws in India
Financial Year / Fiscal / FY	The period commencing on April 1 of a year and ending on March 31 of the following year
FTDRA	Foreign Trade (Developement and Regulation) Act, 1962
GBP	Great Britain Pound
GIR	General Index Registrar
Government of India/GoI / Central Government	The Government of the Republic of India
HUF	Hindu Undivided Family
IAS	International Accounting Standard
ICAI	Institute of Chartered Accountants of India
ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
ICRA	ICRA Limited, a company registered under the Companies Act, having its registered office at Flat Number 1105, Kailash Building, 11th Floor, Kasturba Gandhi Marg, New Delhi – 110001.
ICSI	Institute of Company Secretaries of India
ICWAI	Institute of Cost and Works Accountants of India
IFRS	International Financial Reporting Standards
Income Tax Act or I.T. Act	Income Tax Act, 1961, as amended
Indian GAAP	Generally accepted accounting principles of India
KR5	Kavveri Realty 5 Inc.
KTI	Kavveri Technologies Inc.
KTIL	Kavveri Telecom Infrastructure Limited
KTPUL	Kavveri Telecom Products UK Limited
MOEF	Ministry of Environment and Forests
MoF	Ministry of Finance
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Non Residents	A person resident outside India, as defined under FEMA
NRI/ Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
PAN	Permanent account number issued by the income tax department
PAT	Profit After Tax
PIS	Portfolio Investment Scheme
RBI	The Reserve Bank of India

Term	Description
Rs. / Rupees/ `	Indian Rupees
SAT	Securities Appellate Tribunal
SAD	Single Administrative Document
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
Securities Act	U.S. Securities Act of 1933, as amended
STT	Securities Transaction Tax
SWL	Spotwave Wireless Limited
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
TSII	Trackcom Systems International Inc.
TTI	Til-Tek Antannae Inc.
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Generally accepted accounting principles in the United States of America
USD/US$/$	United States Dollar
Water Act	Water (Prevention and Control of Pollution) Act, 1974, as amended

SUMMARY OF THE BUSINESS

We are manufacturers and exporters of wireless subsystem products such as radio-frequency ("**RF**") products and antennas, providing end to end wireless solutions. We provide total turnkey solutions for coverage and capacity enhancement requirements for telecom applications in India and abroad and customized products for defense and space applications in India. In addition to manufacturing and supply of products, we also provide in building solutions ("**IBS**") for communication signal and capacity enhancement requirement for cellular operators in large buildings like malls, hotels, hospitals and commercial buildings. Our Company has a manufacturing facility of 1,32,861.96 square feet for manufacturing wireless subsystem products at our Jigani Facility. From our facility we offer design, manufacturing, assembly and testing of high-performance wireless subsystem products.

Our Company started its operations in 1996 by taking over the business of a proprietary concern Kaveri Microwave Components ("**KMC**") as a going concern. KMC was engaged in the business of manufacturing professional grade microwave components and had a separate research and development ("**R & D**") division in Bangalore to develop new products to cater to evolving trends of the wireless telecom market. We started manufacturing products such as Duplex Filters and presently, the range of products manufactured and supplied by us include Isolators, Circulators, Power Combiners, Low Noise Amplifiers and Attenuators etc. We manufacture and supply products to provide total turnkey solutions for coverage and capacity enhancement requirements for cellular operators covering CDMA, GSM, DCS and UMTS technologies in India, and outside India and for defense and space organisations in India. We also provide IBS on turnkey basis, both in CapEx and OpEx model. Under the CapEx model, we supply the material, execute the project and hand over the same to the customer. Under the OpEx model we act as a neutral host provider to multiple operators on Build Operate Lease ("**BOL**") or Build Own Operate ("**BOO**") basis. Our Subsidiary, Kavveri Telecoms Infrastructure Limited ("**KTIL**") was incorporated to meet the growing demands for IBS, providing value addition to the markets of the cellular operators.

In 2003, Megasonic Telecoms Private Limited amalgamated with our Company with an aim to combine the strengths of both the companies. We also provide intelligent indoor coverage solutions for the mobile communications industry. As a step towards our inorganic growth plans, we acquired a division of Wi-Lan Inc., purchased assets of Spotwave Wireless Inc. and Spotwave Wireless Canada Inc. and acquired DCI Digital Communications Inc.("**DDCI**") and Trackcom Systems International Inc.("**TSII**") which increased our product portfolio, technology, intellectual property and widened our customer base and provided an opening in the North American markets. We have incorporated Kavveri Telecom Products UK Limited ("**KTPUL**"), for us to be able to market our products in Europe, enhancing our global presence. We manufacture some of the products for which orders are placed with our Subsidiaries in Canada, in our Jigani Facility. The same is either supplied directly to the customer or is supplied to the Subsidiary receiving the work order.

In the domestic market our customers are primarily cellular operators such as Aircel Limited, Tata Teleservices Limited, etc., OEMs, defense and space organisations. Our wireless subsystem products are primarily exported to North America and Europe where we have been able to attract and retain leading names in both of the wireless communication products and IBS space, as our customers. Our customers are primarily telecom companies, OEMs, airports and radio channels in their country.

Our total consolidated income for FY 2009, 2010 and 2011 was Rs. 19,499.48 lakhs, Rs. 25,072.18 lakhs and Rs. 35, 175.15 lakhs, respectively. Our profit after tax for the same periods was Rs. 903.82 lakhs, Rs. 2,577.82 lakhs and Rs. 3,931.28 lakhs, respectively.

Our Competitive Strengths

Strong Customer Relationships

We believe we have a strong relationship with our customers that include cellular operators, OEMs, system integrators and distributors both in the domestic as well as the international markets for RF products, antennas and IBS. We serve clients across India, North America and Europe. We are in the business of providing customized wireless subsystem products to our customers. Through our product differentiation, we try to provide goods as per the specifications provided by our customers. Our major competitors are based both in India and outside India. Our long standing presence and experience in the industry coupled with our varied product and service range enables us to enjoy a competitive advantage vis-à-vis our competitors in terms of customization of products, pricing, lead time and after sales service. We believe that due to our customized products, high quality standards and effective after sales service, we enjoy repeated orders and have an established customer base and have also managed to add new customers to our customer base.

Comprehensive Range of Products Offering

We offer a wide range of wireless subsystem products including Tower Mount Amplifiers ("**TMA**"), Tower Mount Boosters ("**TMB**"), Repeaters, Base Staion antennas, Power Splitters, Diplexers, Duplexers, Filters, Channelisers, Beam Switching antennas, L- band receiver and products for IBS. Our range of products for wireless subsystem and IBS allows our customers to source their requirements from us. Our marketing team works closely with our customers to provide customised products which are duly compliant with their requirements. We believe, this aspect of our business provides more comfort to our customers by helping them save time and resources required for dealing with multiple vendors and thus enable us to attract a larger customer base.

In-house Research and Development Team

Our R&D team of 35 members is robust and well positioned with systems and processes to maintain the standards in innovation and production. Our Company's in-house R&D centre has been recognised by the Ministry of Science and Technology since 1996. We continue to invest in the research and development of wireless subsystem products and diversification of our product offerings and have one of industry's leading product portfolios in terms of performance and features. During the year, 2010-2011 our R&D team developed various products including Twin Tower Mounted Amplifier, Phased Array Antenna, GSM 1800 12 dBi Yagi antenna etc. for various agencies. Our R&D team is headed by Director (R&D), Mr. L. Nicholas who has previously served with the R&D team at Indian Space Research Organisation, wherein his area of focus was RF products and antennas. To ensure that the quality of our products meet international standards, we have invested on procuring latest technology tools in design, development and testing. Our Company's R&D capabilities and understanding of demands of the telecom, defence and space industry have resulted in early stage development work with various global telecom, defense and space companies with the intention of procuring long term manufacturing contract and capitalising on potential outsourcing of wireless subsystem products. Our R&D team periodically releases new and improvised products both in the terms of design and costing, giving us an advantage in comparison to our competitors. In our opinion, our emphasis on R&D has resulted in our clients finding products meeting their standards and our innovation practical and effective.

Established network and respected brand

In the domestic market our products are sold and marketed all over India. Our Company's focus on quality products has enabled us to become one of the leading vendors for CDMA, GSM and UMTS service providers as well as OEMs across India. We also export our products primarily to North America and Europe where we have been able to attract and retain leading names in telecom product space, as our customers. Our presence in Canada and United Kingdom, allows us to access markets in North America and Europe. We believe that our strong brand recognition in the jurisdictions we do business, allows us to continue to increase our customer base by attracting new customers.

Cost efficient production

Our Company has a manufacturing unit of 1,32,861.96 square feet area for manufacturing RF products and antennas at our Jigani Facility. We have advanced facilities at our manufacturing facility and R&D centre such as Automated Test Equipment like vector and scalar network analyzers, spectrum analyzers, signal generators, radio communication test sets, anechoic chamber for antenna testing, Satimo star labs for Base Staion antennas testing, PIM analyzers, reliability and environmental test equipment and many more facilities. We believe that we provide competitively priced products through cost efficient production and with the highest quality standards which enables us to receive new business from our existing customers and from new customers. We believe that our constant work towards making our designs easier for us to manufacture, improves reliability, quality and cost, resulting in an increase in our customer base.

Strategies

Pursue strategic acquisitions and relations in India and abroad.

Our acquisitions of businesses in the past, like TTI, have benefitted us by expanding our product portfolio and increasing our customer base by widening our geographical reach. In order to expand, we continually seek to identify acquisition targets and/or joint venture or strategic partners whose resources, capabilities, technologies and strategies are complementary to and are likely to enhance our product offering and business operations. We intend to focus on strategic acquisitions that are of appropriate size with minimal risk of integration into our existing operations. This competitive advantage, in our opinion, will enable us to capitalize the huge growth opportunity in the area of wireless subsystem products and IBS and increase our global presence.

Continue to expand our product portfolio, geographies and invest in product development.

Our markets present a diverse customer base and we intend to develop such RF products and antennas that target specific customer segments. We intend to capitalize on our market position in the telecom equipment manufacturing industry to increase our presence in other such similar industries. With our position in the markets that we serve, we intend to explore the markets in other geographies in the wireless industry. In addition, we plan to invest in our research and development capabilities, through strategic recruitment, adding new facilities and the acquisition of technology.

Further developing the new business segments

We intend to expand our product offerings to further penetrate the defense and space segments, which typically command better margins among all industry segments. We seek to achieve this through increased emphasis on serving new niches in the defense and space applications through development of varied key wireless subsystem products. We intend to capitalize on our long drawn experience in developing customized wireless subsystem products for the same.

Establishing our India operations as a leading destination for contract manufacturing of wireless subsystem products

We intend to capitalise on the competitive advantage of India in terms of competitive labour costs and have already initiated measures to make our manufacturing facility in India as a global hub for manufacturing of wireless subsystem products. As a part of this process, we have moved some of the manufacturing of products from our subsidiaries outside India to our Jigani Facility and have also received orders for contract manufacturing from customers outside India. Manufacturing in India provides us with a dual advantage, of low cost manufacturing and higher sale price of the products in overseas markets. We intend to capitalise on our ability to manufacture quality products for contract manufacturing of wireless subsystem products.

Further develop the OpEx model of In Building Solutions

We have established ourselves as a neutral host provider for IBS. We have acquired the right of way for numerous hospitals, malls and commercial buildings to act as a neutral host for providing IBS within the premises. We intend to capitalise our position as an established neutral host and further expand our OpEx model of providing IBS.

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 in the sections titled "***Issue Procedure***" and "***Description of the Shares***".

Issuer	Kavveri Telecom Products Limited
Issue	The offer and sale of [●] Equity Shares of the Issuer of face value of Rs. 10 each to QIBs pursuant to Chapter VIII of the ICDR Regulations.
Issue Price	Rs. [●] per Equity Share, including a premium of Rs. [●] per Equity Share.
Floor Price	Rs. 134.13 per Equity Share.
Eligible Investors	QIBs as defined in Regulation 2(1)(zd) of the ICDR Regulations to whom the Preliminary Placement Document and the Bid cum Application Form is circulated and who are eligible to Bid and participate in the Issue. See the section titled *"**Issue Procedure — Qualified Institutional Buyers**."*
Equity Shares issued and outstanding immediately prior the Issue*	1,68,68,980 equity shares of Rs. 10 each
Equity Shares issued and outstanding immediately after the Issue*	Post the Issue [●] equity shares of Rs. 10 each
Listing	Our Company has received the in-principle approvals from the stock exchanges under clause 24 (a) of the Listing Agreements for the listing and trading of the Equity Shares to be Allotted pursuant to this Issue on NSE and BgSE on October 12, 2011 and October 13, 2011 respectively.
Lock-up	The Company has undertaken that it will not for a period of 90 days from the date of Allotment, without the prior written consent of the Book Running Lead Managers, directly or indirectly, (a) offer, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Promoter shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the undersigned), or file any registration statement under the U.S. Securities Act of 1933, as amended, with respect to any of the foregoing; or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of the ownership of the Promoter shares or any securities convertible into or exercisable or exchangeable for Promoter shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise); or (c) deposit Promoter shares with any other depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Promoter shares in any depositary receipt facility or; (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided, however, that the foregoing restrictions do not apply to (i) any sale, transfer or disposition of Promoter shares to the extent such sale, transfer or disposition is required by Indian law and (ii) as a result of enforcement of existing pledges of Promoter shares in effect as of the date of the Placement Agreement. The foregoing restrictions shall not apply to (i) any sale, transfer or disposition of Promoter shares

	to the extent such sale, transfer or disposition is required by Indian law and (ii) as a result of enforcement of existing pledges of Promoter shares made (iii) the issuance of convertible warrants to Promoters and Promoter Group (iv) the issuance of Equity Shares upon conversion of the convertible warrants (v) the issuance of any Equity Shares pursuant to the Issue.
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 Stock Exchanges. See the sections titled "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***".
Use of Proceeds	The net proceeds of the Issue (after deduction of fees, commissions and other expenses) are expected to total approximately Rs. [●] lakhs. Subject to compliance with applicable laws and regulations, we currently intend to use the net proceeds received from the Issue for overseas acquisition and investment in our Subsidiary, KTIL. See the section titled *"**Use of Proceeds**"*.
Risk Factors	See the section titled *"**Risk Factors**"* for a discussion of factors you should consider before deciding whether to buy the Equity Shares of our Company.
Closing	The Allotment of the Equity Shares offered pursuant to the Issue is expected to be made on or about [●] 2011.
Ranking	The Equity Shares being issued pursuant to this Issue shall be subject to the provisions of the Issuer's Memorandum and the Articles and shall rank *parri passu* in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Issuer after Allotment, 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. See the section titled *"**Description of the Shares**"*.
Security Codes for the Equity Shares	**ISIN** INE641C01019 **BgSe Code** KAVERITELE **NSE Code** KAVVERITEL **BSE Code** 590041

* *The Board of Directors in its meeting dated February 2, 2011 allotted 30,00,000 warrants convertible into equivalent number of Equity Shares on preferential basis to its Promoters and non-promoters / strategic investors. The Board of Directors in its meeting dated June 2, 2011 have approved the conversion of warrants allotted earlier on preferential basis, to its Promoter and strategic investors amounting to 28,00,000 shares with a face value of Rs. 10 each. Currently, 2,00,000 warrants are yet to be converted into Equity Shares.*

SELECTED FINANCIAL INFORMATION

The selected financial information as of and for the three years ended March 31, 2009, 2010 and 2011 set forth below have been derived from our "***Financial Statements***" included elsewhere in this Preliminary Placement Document. The financial information included in this Preliminary Placement Document does not reflect our results of operations, financial position and cash flows for the future and our past operating results are no guarantee of our future operating performance. Our "***Financial Statements***" are prepared and presented in accordance with Indian GAAP. For a summary of our significant accounting policies and the basis of the presentation of our "***Financial Statements***", and Limited Review Report for the quarter ended June 30, 2011 refer to the notes in the section titled"***Financial Statements***" included elsewhere in this Preliminary Placement Document.

The selected financial information set forth below should be read in conjunction with the sections titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and our "***Financial Statements***" included elsewhere in this Preliminary Placement Document.

Our audited "***Financial Statements***" as of and for the years ended March 31, 2009, 2010 and 2011 included in this Preliminary Placement Document were prepared by our statutory Auditors, S. Janardhan and Associates.

Audited Consolidated Balance Sheet as of March 31, 2009, March 31, 2010 and March 31, 2011

(Rs. in lakhs)

Particulars	Schedules	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	1,406.90	1,006.08	1,006.08
Share Application Money		1,223.81	-	-
Reserves and Surplus	2	17,728.66	9,831.66	3,466.51
		20,359.37	10,837.74	4,472.59
Minority Interest		105.35	43.35	49.00
Loan Funds				
Secured Loan	3	11,636.43	9,504.85	4,816.18
Unsecured Loan	4	4,117.59	7,792.14	2,562.68
		15,754.02	17,296.99	7,378.86
Deferred Tax Liability (Net)		905.80	894.86	493.86
Total		**37,124.54**	**29,072.94**	**12,394.31**
APPLICATION OF FUNDS				
FIXED ASSETS	5			
Gross Block		13,384.53	8,323.82	4,608.11
Less : Depriciation			1,299.57	617.24

(Rs. in lakhs)

Particulars	Schedules	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
		2,037.56		
Net Block		11,346.97	7,024.25	3,990.87
Capital Work in Progress		2403.98	3,839.18	1,549.69
		13,750.95	10,863.43	5,540.56
Goodwill on Consolidation		3,972.56	4,115.93	2,093.49
Current Assets,Loans And Advances				
Inventories	6	7,222.38	3,974.23	1,679.08
Sundry Debtors	7	10,030.11	11,162.00	5,224.03
Cash and Bank Balances	8	756.35	1,192.62	1,436.30
Loans and Advances	9	9,362.39	7,509.46	1,425.61
		27,371.23	23,838.31	9,765.02
Less: Liabilities and Provisions				
Current Liabilities	10	3,643.07	4,090.93	4,907.64
Provisions	11	4,448.92	5,767.63	199.43
		8,091.99	9,858.56	5,107.07
Net Current Assets		19,279.24	13,979.75	4,657.95
Miscellaneous Expenditure	12	121.79	113.83	102.31
(to the extent not written off or adjusted)				
Total		**37,124.54**	**29,072.94**	**12,394.31**
Notes to Accounts and Significant Accounting Policies				

Audited Consolidated Profit and Loss Accounts for the years ended on March 31, 2009, March 31, 2010 and March 31, 2011

(Rs. in lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
INCOME				
Sales of Wireless Subsystem Products		30,300.91	24,660.99	21,197.32
Less: Excise Duty		129.56	953.04	2,216.13
		30,171.35	23,707.95	18,981.19
Services Income		887.58	103.39	-
Less:Advance Income received		188.62	--	--
		30,870.31	23,811.34	18,981.19
Other Income	13	592.83	531.61	380.40
Accretion/(Decretion to Stock)	14	3,712.01	729.23	137.89
Total		**35,175.15**	**25,072.18**	**19,499.48**
EXPENDITURE				
Operating Expenses	15	24,488.02	14,915.59	12,423.70
Personnel Expenses	16	1,951.04	1,820.49	1,626.90
Administrative, Selling & Other Expenses	17	1,801.62	2,622.87	2,706.60
Interest & Financial Expenses	18	1,354.44	1,272.26	1,251.07
Depreciation	5	717.40	597.45	228.59
Less: Expenses Capitalised during the year		(290.14)	(40.92)	-
Total		**30,022.38**	**21,187.74**	**18,236.86**
Profit before Tax		**5,152.77**	**3,884.44**	**1,262.62**
(Add):				
Transferred to Deferred Revenue Expenditure		-	-	61.12
Less: Provision for Taxation				
Current Tax		1,278.05	905.62	271.93
Deferred Tax		10.94	401.00	142.49
Fringe benefit Tax		-	-	5.50
Add: MAT tax credit entitlement		67.50	-	-
Profit after Tax		**3,931.28**	**2,577.82**	**903.82**
Add/(Less): Income Tax of earlier years		(43.83)	(0.09)	2.83
Add/(Less): Expenses relating to earlier years		-	(5.74)	-
Profit before Minority Interest		3,887.45	2,571.99	906.65
Less: Minority Interest		62.01	(44.00)	-
Profit after Minority Interest		3,825.44	2,615.99	906.65
Balance of Profit Brought forward from Previous Year		4,557.02	2,409.46	1,620.51
Amount available for Appropriations		8,382.46	5,025.45	2,527.16

(Rs. in lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Less: Dividend on Equity Shares		211.03	201.38	100.60
Less:Tax on Dividend		34.24	33.45	17.10
Less:Transferred to General reserve		172.77	233.60	-
Balance carried to Balance Sheet		7,964.42	4,557.02	2,409.46
Earning per Share- Basic (in Rs.)		35.74	25.56	9.01
Earning per Share- Diluted (in Rs.)		33.84	25.44	9.00
No. of Equity Shares used in computing				
Earning Per share for Basic EPS		107.04	100.60	100.61
Earning Per share for Diluted EPS		113.06	101.11	100.74
Notes to Accounts and Significant Accounting Policies				

AUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED ON MARCH 31, 2009, MARCH 31, 2010 AND MARCH 31, 2011

(Rs. In Lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
1. Cash Flow From Operating Activities				
Profit Before Tax		5,152.77	3,884.44	1,262.62
Add: Adjustment For:				
Depreciation		717.40	597.45	228.59
Interest Paid		1,354.45	1,272.26	1,251.07
Provision For Warranty		-	4,579.27	-
Provision For Bad & Doubtful Debts		-	25.01	-
Amortization of Deferred Stock Compensation Expenses		36.79	9.91	-
Loss on sale of Assets		0.86	-	14.56
Deffered Revenue exps		-	-	61.12
Other Non cash Items		273.23	(1,638.54)	(286.29)
Prior Period Income/ (Expenses)		-	(5.74)	2.83
Preliminary Expenses expenses written off		-	0.05	2.19
		7,535.50	8,724.11	2,536.69
Less: Adjustments for				
Excess Provision written Back		(1,884.13)	-	414.62
Interest on FD / other deposits		(39.51)	(142.02)	(75.84)
Operating Profit Before Working Capital Changes		5,611.86	8,582.09	2,875.47
Inventories		(3,248.15)	(2,295.15)	(325.24)
Debtors		1,131.89	(5,962.99)	327.71
Loans and Advances		(1,852.93)	(6,137.00)	(415.74)
Trade and other payables		(450.51)	(800.60)	2,348.08
Net Changes in Working Capital		(4,419.70)	(15,195.74)	1,934.81
Cash Generated from Operations				
		1,192.16	(6,613.65)	4,810.28
Less :- Taxes paid		735.67	60.78	277.43
Net Cash flow from Operating activities	**A**	**456.49**	**(6,674.43)**	**4,532.85**
2. Cash Flow From Investment Activities				
Purchase of Fixed Assets		(3,628.86)	(6,028.08)	(3,877.82)
Preliminery Expenses		-	(11.57)	(67.89)
Foreign Currency Transalation Reserve		48.71	24.03	(26.95)
Deduct Inflow				
Interest on FD/other deposits		39.51	142.02	75.84

(Rs. In Lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Sale of Assets		2.50	83.74	16.90
Net Cash Flow from Investing Activities	**B**	**(3,538.14)**	**(5,789.86)**	**(3,879.92)**
3. Cash Flow From Financing Activities				
Increase in Securities Premium		4,520.81	3,703.22	-
Receipts from Share application money		1,223.81	-	-
Increase/(deacrese) in Loans Liability		(1,542.96)	9,918.12	(622.40)
Dividend Payout		(201.83)	(128.47)	(117.70)
Interest Paid		(1,354.45)	(1,272.26)	(1,251.07)
Net cash flow from Financing activities	**C**	**2,645.38**	**12,220.61**	**(1,991.17)**
Net increase/(decrease) in cash and cash equivalents	**A+B+C**	**(436.27)**	**(243.68)**	**(1,338.24)**
Opening Balance - Cash & cash Equivalents		**1,192.62**	**1,436.30**	**2,774.54**
Closing Balance - Cash & cash Equivalents		**756.35**	**1,192.62**	**1,436.30**

1. Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard -(AS-3) "Cash Flow Statements" notified by the Central Government under the Companies (Accounting Standard Rules), 2006

2. Purchase of Fixed Asset includes movement of Capital Work in Progress during the year.

3. Previous Year's figures have been regrouped/rearranged wherever considered necessary to conform to the classification for the financial year 2011.

RISK FACTORS

*An investment in equity share involves a degree of risk. You should carefully consider all the information in this Preliminary Placement Document, including the risks and uncertainties described below and the information under "**Forward Looking Statements**", before making an investment in our Equity Shares. To obtain a complete understanding of our Company, you should read this section in conjunction with the sections titled "**Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations**", of this Preliminary Placement Document as well as the other financial and statistical information contained in this Preliminary Placement Document. If the following risks actually occur, our business, results of operations and financial condition could suffer, and the price of our Equity Shares and the value of your investment in our Equity Shares could decline. Unless specified or quantified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the market price of our Equity Shares.*

Internal Risk factors

1. ***We are involved in certain litigation proceedings, an adverse order in which could have an adverse effect on our business and results of operations.***

There are legal proceedings, at different levels of adjudication pending against us which are incidental to our business and operations. In the event any unfavorable order is passed against us by appellate courts or tribunals, we may be required to make provisions in our financial statement in response to such orders, which could adversely impact our business results. Furthermore, if significant claims are determined against us and in the event we are required to pay all or a portion of the disputed amounts, there could be a material adverse effect on our business and profitability. A summary of the legal proceedings, pending as on the date of this Preliminary Placement Document, is given below:

S. No.	Nature of cases	No. of outstanding cases	Amount involved (*in Rs., unless expressly stated otherwise*)
Cases filed by the Company			
1.	Customs and Excise matters	8	48,80,49,175
2.	Tax matters	1	85,51,646
3.	Civil matters	4	30,28,581
Cases filed against the Company			
4.	Civil matters	4	3,10,33,073
Cases filed against the Subsidiaries			
5.	Indian subsidiaries	1	1,19,29,133
6.	Foreign subsidiaries	1	CAD 75,500

We cannot provide you with any assurance that these matters will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us, our Directors or our Promoters in the future.

2. ***Our manufacturing unit is located over a land which is currently under litigation. Any adverse order of the court could have an adverse effect on the results of operation of our business.***

Our manufacturing facility is located at No. 104, Suragajakkanahalli, Jigani, Anekal Road. There is a pending litigation involving the said land before the district court and our Company has been made party to the litigation. In the event the land dispute is not settled or any adverse order is passed, it could have a material adverse effect on the results of operation of our business.

3. ***Our Company in the past had not complied with certain reporting requirements of the Reserve Bank of India ("RBI") and had not made certain filings with the RBI which could result in penal provisions being invoked by the RBI against us.***

Our Company has, in the past, not complied with the reporting requirements of the RBI pertaining to the overseas direct investment, with respect to its two overseas Subsidiaries, KTI and KTPUL. We have rectified the error with respect to these annual reporting requirements of KTI and the same has been filed recently. However for KTPUL, we have initiated the process for obtaining the Unique Identification Number ("**UIN**") from RBI, subsequent to the receipt of which we shall begin the process of rectifying the error. These filings have been acknowledged by the designated authorised dealer. Athough as on the date of this Prelimnary Placement Document, we have not received any notice from the RBI regarding the delayed compliances, we cannot guarantee that there would be no penal provisions invoked by the RBI on our Company with respect to the delayed application in the future. In case any penal provisions are invoked by RBI upon us, it could have an adverse effect on our business prospects, results of operations and financial condition.

4. ***Our Company has delayed in filing for the Unique Identification Number with respect to one of its wholly owned Subsidiary, Kavveri Telecom Products UK Limited which could result in penal provisions being invoked by Reserve Bank of India.***

Our Company had incorporated a subsidiary in United Kingdom, Kavveri Telecom Products UK Limited ("**KTPUL**") on May 19, 2009. As per the existing foreign exchange regulations, our Company had to file a Form ODI with Reserve Bank of India ("**RBI**") to procure a Unique Identification Number ("**UIN**") with respect to KTPUL within 30 days of incorporation. We have now filed the Form ODI with RBI to procure a UIN on August 29, 2011. We cannot guarantee that we will receive the UIN from RBI with respect to KTPUL or there would be no penal provisions invoked by RBI on our Company with respect to the delayed application for UIN. In case any penal provisions are invoked by RBI upon us, it could have an adverse effect on our business prospects, results of operations and financial condition.

5. ***Our Company does not have long-term assured business agreements with its customers for purchasing its products and is subject to uncertainties in demand which could decrease sales and negatively affect its operating results.***

Our Company does not have long-term assured business agreements with its customers, and consequently, its revenue is subject to uncertainties in demand for its products. Although, we have entered into supply and service agreements with most of our customers, the customers have no obligation to place order with our Company. The orders placed by our customers are dependent on factors such as the customer satisfaction with the product that we supply, fluctuation in demand for our customer's products/services and customers' inventory management, amongst others. Absence of long term assured business agreements and the above stated uncertainties in demand could decrease our sales and negatively affect its operating results.

6. ***In the past pur Company's debt rating has been downgraded by an Indian rating agency. Downgrading of our Company's debt rating by an Indian rating agency could adversely affect our business.***

In the past, our Company's credit rating on its bank facilities had been downgraded by CRISIL to 'D/P5' from 'BBB-/Stable/P3'. The downgrade reflects instances of delay by our Company in servicing its debt and the fact that its cash credit account has been continuously overdrawn, on account of its weak liquidity. However, CRISIL upgraded the rating *vide* circular dated July 11, 2011 to B-/Stable/P4. Furthermore, ICRA has assigned a rating of BB+ in relation to the Rs. 7 crores term loan and Rs. 93 crores working capital limit availed by our Company.

In the event of downgrading of the credit rating of our Company in the future, our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available may be adversely affected, which in turn could harm our business and financial performance, ability to obtain financing for capital expenditures and the price of our Equity Shares.

7. *Our contracts with some of our customers do not contain a 'minimum purchase' or 'minimum off take' clause. A loss of business from any of our customers may adversely affect the profitability and financial condition of our Company.*

We have entered into certain framework agreements with some of our customers, wherein our customers may purchase products through placing purchase orders according to their requirements or avail our in-building solutions by entering into individual site sharing agreements. Our framework agreements do not impose any 'minimum purchase' or 'minimum order' requirements on our customers. Our customers have the option of procuring similar products or avail similar services from other manufacturers or service providers. Thus, the orders received by us from our customers may fluctuate from year-to-year. Furthermore, we do not have any performance guarantee or such similar instrument from the customers guaranteeing their contractual commitment. A loss of business from any of our customers may adversely affect the profitability and financial condition of our Company.

8. *If our Company is unable to comply with quality standards and requirements as prescribed by our customers our business and results of operation could be adversely affected*

Under the business agreements with our customers, we have agreed to adhere to certain norms for providing good quality products and maintain high service level requirements for our customers. Although we have a quality assurance process for meeting the prescribed quality standards and periodic audits are conducted to ensure the compliances, yet any non-compliance on our part with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of our existing customers or cancellation of existing or future orders. Such non-compliances could potentially damage our reputation or result in claims for damages against us. We cannot assure you that any limitations of liability set forth in our framework agreement will be enforceable in all instances or will otherwise protect us from liability for damages in the event of a claim for breach of our obligations. Loss of our customers/orders and/or successful assertions of one or more claims against us could have an adverse effect on our business prospects, results of operations and financial condition.

9. *We do not have any long term supply contract for the raw materials used in manufacturing of wireless subsystem products. Any shortfall in supply of input materials may affect our business and financial performance and price increase would increase operating costs and may reduce profits.*

In FY 2011, total cost of raw materials consumed as a percentage of total income was 73.66%. Substantially all these raw materials are purchased from third parties. We do not have any long term supply contract for the raw materials used in manufacturing of wireless subsystem products. Raw materials are subject to price volatility caused by factors including but not limited to commodity market fluctuations, the quality and availability of supply, currency fluctuations, consumer demand and changes in governmental policies. Increase in the price of raw materials shall result in corresponding increase in our raw material costs. If our suppliers of raw materials are, temporarily or permanently, unable to supply the raw materials to us at a competitive price or at all, our business would be adversely affected.

Further, we rely on the adequate and timely availability of key input materials. Any significant change in the cost structure or disruption in supply may affect the pricing and supply of products. If we are not able to increase our product prices to significantly offset increased raw material costs, or if unit volume sales are significantly reduced, it could have a negative impact on our profitability. This may adversely affect our business and financial performance.

10. *Some of our business agreements with our customers are fixed price contracts, wherein we have agreed to supply our products or provide our services at predetermined price. Any increase in the input costs shall have to be borne by us.*

Some of our business agreements with our customers are fixed price contracts, wherein we have agreed to supply our products or provide our services at a predetermined price. In the event of any increase in the raw material costs, labour costs or any other input costs, we shall not be able to pass such increase in input costs to our customers. Any such increase in the input costs shall be borne by us, which could reduce our profit margins and could have an adverse effect on our profitability and financial condition.

11. ***We are subject to risks of assuming performance guarantees and product warranty costs due to defects in our products and liquidated damages for delays in delivery, which could generate adverse publicity and affect our business, results of operations and financial condition.***

Our contracts with our customers expose us to warranty claims. Certain of our supply contracts provide for warranty periods for varying time periods against manufacturing defects. Although, some of the third party supplied items may be covered under warranties provided by certain of our vendors, we may not always be able to enforce the same. In defending any such claim, we could incur substantial costs, receive adverse publicity and management resources could be diverted away from our business towards defending such claims. In addition, certain contracts also require us to provide performance guarantees, which can be encashed against us, in the event there are delays in supplying. Our contracts are generally time bound and may also provide for liquidated damages to be paid in the event there is a delay in delivery, beyond the stipulated time lines in the contract. Further, our Company may face the risk of potential claims being brought against us by our customers /consumers for any defective product sold or any deficiency in our services to them. Our Company could face liabilities should our customers / consumers face any loss or damage due to any unforeseen incident such as fire or accidents in our stores, which could cause financial or other damage to our customers /consumers. Any commencement of lawsuits as envisaged above against us could reduce our sales and cause us financial harm. Any adverse publicity caused by warranty claims and/or law suits, could affect the results of operations and financial condition.

12. ***Business agreements between our customers have indemnification clause, the crystallization of the same would affect our business operations.***

Pursuant to the agreement with our customers, we are required to indemnify our customers against any loss or damage caused to such customers by reason of any negligence, misconduct, breach of any statutory duty or breach of terms and conditions of the business agreements entered into with such customers. Although we exercise reasonable degree of care and precaution in the conduct of its business operations, there can be no assurance that no such liability will be imposed on us in the future. In the event we are held liable to indemnify its customers, the resultant cash outflow may have an adverse effect on our business operations and financial condition.

13. ***Our trademark and logo, as appearing in this Preliminary Placement Document, is not registered in our name. Further, some of the intellectual property of our Company and its Subsidiaries are not registered with relevant governmental authorities. Our inability to use the trademark or logo or our inability to protect our intellectual property in the future, may have an adverse effect on our results of operations.***

We have not applied for protection of some of our trademarks and intellectual property. We have also not applied for registration of our brand name and our logo. Our business might be affected due to our inability to protect our existing and future intellectual property rights. We use our intellectual property rights to promote and protect the goodwill of our brand, enhance our competitiveness and otherwise support our business goals and objectives. Non-registration of our brand name and our logo may allow any person to use a deceptively similar mark and market its product which could be similar to the products offered by us. Such infringement will hamper our business as prospective clients may go to such user of mark and our revenues may decrease. In the event our brand name or our logo is registered in the name of a third party, such third party may file a case of infringement against our Company, it may be difficult for our Company to protect its interest in the unregistered trademarks. Further, non-registration of our intellectual property may result in a loss of our rights over the intellectual property which may dilute our goodwill and burden us with additional litigation costs.

14. ***We have agreed to confer 'most favoured customer' status on some of our customers, which imposes certain additional obligations upon us and these may have an adverse effect on our results of operations and profitability.***

Our agreements with some of our customers mandate us to provide them with the most favoured customer status, maintaining which may not always be possible and may lead to contractual penalties. These supply contracts provide for most favoured customer status for the duration of the contract. The most favoured customer status entails, amongst others, favourable pricing terms and a first right of refusal over future technologies on offer by us. Furthermore, such agreements impose additional obligations on us including, amongst others, payment of transportation costs, insurance costs, indemnity and an extended period of warranty. In future, we may not be able to respect such provisions and may be required to pay a penalty and if we do not pay the penalty, management resources could be diverted away from our business towards defending such claims. Both these scenarios may have an adverse effect on our results of operations and profitability.

15. *Our inability to renew or maintain our statutory and regulatory permits and approvals which are required to operate our business could adversely affect our operations and profitability.*

We are required to obtain and maintain various statutory and regulatory permits and approvals to operate our business. We have, in the past, obtained such approvals / clearances / licenses, from the relevant governmental and regulatory authorities. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. Whilst we believe that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have an adverse effect on our business, results of operations and financial condition.

Furthermore, a portion of our revenue is generated from the business activities of our Subsidiaries outside India. Our Subsidiaries might be required to obtain certain approvals / clearances / licenses from the relevant governmental or regulatory authorities. Failure of our Subsidiaries to obtain, maintain or renew the required approvals / clearances / licenses may, in the anticipated time-frame or at all, have an adverse effect on our consolidated business, results of operations and financial condition.

16. *The lease agreements with the building / site owners of the telecom sites, where our in-building solutions are provided, may not generate the anticipated revenues.*

We have entered into lease agreements with several building / site owners of the telecom sites for obtaining an exclusive right for providing in-building solutions to our customers at the respective telecom sites. Pursuant to the execution of such lease agreements, the necessary equipment for providing in-building solutions is installed at the telecom sites, the installation and operation cost of which is borne by us. However, our customers have the option of availing our in-building solutions at a particular telecom site. In the event, our customers decide not to avail our services at a particular telecom site we may not be able to realise the return on investments anticipated by us or at all, which may have an adverse effect on our profitability and financial condition.

17. *The lease agreements for the telecom sites, where our in-building solutions are provided by KTIL, are inadequately stamped.*

Some of KTIL's lease agreements for the telecom sites are inadequately stamped. In the event of any dispute arising out of such inadequately stamped and/or unregistered lease agreements, KTIL may not be able to effectively enforce our leasehold rights arising out of such agreements which may have a material and adverse impact on the business of KTIL. Moreover, on the occurrence of such an event, the customers of KTIL may require KTIL to pay damages or may terminate the master site sharing agreements or the individual site sharing agreement, which can lead to loss of its existing customers or cancellation of existing or future orders and could consequently result in losses and adversely affect the consolidated results of operation and financial condition of our Company.

18. *The tenure of some of the individual site sharing agreements between KTIL and its customers is inconsistent with the tenure of the corresponding lease agreements between KTIL and the site / building owners.*

Some of the individual site sharing agreements entered into between KTIL and its customers have a term that is longer than the term of the lease agreement entered into between KTIL and the site / building owner pursuant to which KTIL has the right to install its equipment for providing in-building solutions in such sites / buildings. As the term of such lease agreements with the site / building owner shall terminate prior to the individual site sharing agreement with its customers, the onus shall be on KTIL to ensure that such lease agreements are renewed within the stipulated time period to ensure that the in-building solutions are seamlessly provided to its customers. It cannot be said with certainty that KTIL will be able to renew the lease agreements with the site / building owners, in which event it shall be liable to pay damages to its customers or the customers may chose to terminate the individual site sharing agreement or the master site sharing agreement with KTIL, which may have an adverse impact on the consolidated business operations and financial condition of our Company.

19. ***Our property situated at Plot No. 299-A of Harohalli, 2nd phase Industrial Area, Kanakapura Taluk, is a leasehold property conferred upon us vide a lease-cum-sale agreement and may not get converted into a freehold property.***

For our property situated at Plot No. 299-A of Harohalli, 2nd phase Industrial Area, Kanakapura Taluk (the "**Land**"), we have been granted leasehold right to use the Land by the Karnataka Industrial Areas Development Board (the "**KIADB**"), for a period of ten years, vide a lease-cum-sale agreement dated June 22, 2011 (the "**Lease Agreement**"). As per the provisions of the Lease Agreement, KIADB may, in future decide the price (the "**Additional Price**") at which the Land shall be converted into a freehold property. However, KIADB shall further be entitled to impose penalties and may terminate the Lease Agreement, if the development of the Land is not as per the Lease Agreement, or for any violation of the Lease Agreement. There can be no guarantee that we shall be able to strictly adhere to the Lease Agreement at all times or that the Lease Agreement may not be terminated prior to the conversion of the Land into a freehold land. Also, there can be no assurance that the Land shall be converted into freehold land at the end of the ten years. Further, if the Additional Price, determined in future by KIADB is not within our expectations or if KIADB levies a penalty, payment of the same might have an impact on the financial condition of our Company.

20. ***Our inability to procure and/or maintain adequate insurance cover, including product liability insurance cover, in connection with our business may adversely affect our operations, profitability and financial condition.***

Our operations are subject to certain inherent internal and external risks, such as defects, malfunctions and failures of manufacturing equipment, fire, strikes, loss-in-transit for our products, accidents and natural disasters. Although we maintain comprehensive insurance coverage in relation to fire and other perils, we have not procured any product liability insurance cover. Absence of any product liability insurance may make us liable for any losses or injuries to a buyer or user of our products, caused by a defect or malfunction in the product. In addition, there may be instances where the insurance cover in relation to the loss may not be adequate. In such situations, we may incur loss or lose our investment. Our insurance may not be adequate to completely cover any or all of our liabilities. There is no assurance that the insurance premiums payable by us will be commercially viable or justifiable. Further, from time to time, if our business agreements with our customers require, we may need to procure additional insurance cover, name additional party as the insured etc. Our inability to procure and/or maintain adequate insurance cover in connection with our business could adversely affect our operations and profitability.

21. ***Our Company has taken an unsecured loan which may be repayable on demand. Any demand from the lender for repayment of such unsecured loan, may adversely affect our business operations and financial condition.***

As on August 31, 2011, our Company has taken an unsecured loan of Rs. 500 lakhs which is repayable on demand. In case of any demand from such unsecured lender for repayment of such unsecured loan, the resultant cash outflow may adversely affect our overall business operations and financial condition.

22. ***Our Subsidiary KTIL has taken an unsecured loan which may be repayable on demand. Any demand from the lender for repayment of such unsecured loan may adversely affect our business operations and financial condition.***

As on August 31, 2011, our Subsidiary KTIL has taken an unsecured loan, wherein the outstanding amount is Rs. 3,454 lakhs, which is repayable on demand. In case of any demand from such unsecured lender for repayment of such unsecured loans, the resultant cash outflow may adversely affect our overall business operations and financial condition.

23. *We have secured debt facilities from banks and financial institutions, which impose certain restrictive covenants on us, by way of securing consents of such lenders and financial institutions prior to taking certain actions. Such restrictive covenants may adversely affect our financial condition and result of operations, in the event such consent is withheld by such lenders and financial institutions*.

Our Company and its subsidiaries have entered into agreements with certain banks and financial institutions for term loans and working capital loans. Some of these agreements contain restrictive covenants that require us to obtain the prior consent of our lenders to take certain actions, including declaration of dividends, alteration of our capital structure, formulation of any scheme of amalgamation or reconstruction, altering or amending the Memorandum of Association, entering into borrowing arrangements, undertaking guarantee obligations, creating charge, lien, or its undertakings or any part thereof, disposing off assets, creating any subsidiary or permitting any company to become a subsidiary, withdrawing or allowing to be withdrawn any monies brought into the Company by the Promoter of the Company and making changes to the management, set up and key personnel. These covenants may restrict us from doing an activity in a timely manner, which can adversely affect our financial condition and result of operations.

Further, if we do not adhere to such restrictive covenants, we may be asked to repay the debt and could be forced to sell some or all of our assets if we do not have sufficient cash or credit facilities to make repayments. Additionally, our borrowings are secured against a portion of our Promoter's assets; lenders may be able to sell those assets.

24. *Certain Equity Shares held by our Promoters, have been pledged in favor of our lender to secure the repayment of the loans availed by our Company. Default in repayment of the loans by our Company may lead to invocation of the pledge on these Equity Shares, which may result in dilution of our Promoter's holding in our Company.*

As on this date, our Promoters hold 62, 70,573 Equity Shares of our Company constituting 37.17 % of the total pre-Issue paid-up share capital of our Company. Out of the above, 13,20,000 Equity Shares held by our Promoters constituting 7.83% of our paid-up capital have been pledged as on the date of this Private Placement Document against the loan availed from State Bank of India and ACG Associated Capsules Private Limited. Default in repayment of the loans by our Company may lead to invocation of the pledge on these Equity Shares, which may result in dilution of our Promoter's holding in our Company resulting in loss of control of our Company. Further, our Company's entire shareholding in our Subsidiary Kavveri Technologies Inc. has been pledged to secure the repayment of the loan availed from State Bank of India. Any default in repayments by our Company may lead to invocation of the pledge on the shareholding, which may result in the shareholding being transferred to our lender, State Bank of India.

25. *Our Company has delayed in making payments to our lenders in the past. If this persists additional charges may be levied on us and which may adversely affect the financial condition of our Company.*

In the past, our Company has made delayed payments to our lender, State Bank of India, in relation to the payment of interest and/or repayment of loan. However, there have been no defaults in the payments made to State Bank of India. If such delayed payments persist, State Bank of India may levy additional charges or increase the rate of interest which may have an adverse impact on our business operations and financial condition of our Company.

26. *Orders included in our order book may be delayed, cancelled or not fully paid for by our clients, which could materially harm our cash flow position, revenues and earnings.*

Our order book does not necessarily indicate future earnings related to the performance of that work. Orders in the order book represent business that is considered firm, but cancellations or changes in order scope or schedule adjustments have occurred in the past and may occur. We may also encounter problems executing the order as contracted, or executing it on a timely basis. Moreover, factors beyond our control or the control of our customers may postpone an order or cause its cancellation. Due to the possibility of cancellations or changes in order scope and schedule, as a result of exercise of our customers' discretion, problems we encounter in order execution, or reasons outside our control or the control of our customers, we cannot predict with certainty when, if or to what extent an order in the book will be performed. Delays in the completion of an order can lead to customers delaying or refusing to make payment to us of some or all of the amounts we expect to be paid in respect of the said order.

These payments often represent an important portion of the margin we expect to earn on the said order. In addition, even where an order proceeds as scheduled, it is possible that the contracting parties may default or otherwise fail to pay amounts owed. Any delay, adverse change in scope, cancellation, execution difficulty, payment, postponement or payment default in regard to orders in the order book or any other uncompleted orders, or disputes with customers in respect of any of the foregoing, could harm our cash flow position, revenues and earnings.

27. *Some of our Subsidiaries have incurred losses during the last three financial years, which has a negative financial impact on our Company.*

Some of our Subsidiaries have incurred losses during the last three financial years. Details of these losses are given herein below:

(In Rs.)

Subsidiary	Profit/(Loss) After Tax		
	2011	2010	2009
Eaicom India Private Limited	(98,42,718)	(4,89,257)	(12,13,009)
Spotwave Wireless Limited	2,70,12,919	(1,69,38,408)	(68,05,543)
Trackcom Systems International Inc.	3,94,922	(99,54,900)	NA
Til-Tek Antennae Inc.	1,56,68,705	2,42,97,192	(1,75,14,905)
DCI Digital Communications Inc.	80,59,290	5,79,209	(22,61,374)
Kavveri Technologies Inc.	(1,87,31,228)	(1,60,37,950)	(1,03,55,977)
Kavveri Telecom Infrastructure Limited	2,50,27,256	(22,75,939)	(61,12,147)
Kavveri Realty 5 Inc.	(7,69,402)	(50,40,885)	0
Kavveri Telecom Products UK Limited	11,076	0	NA

The financial losses of our Subsidiaries have a negative impact on the financial condition of our Company. Furthermore, such financial losses may be perceived adversely by third parties such as our customers, suppliers or bankers, which may consequently affect our business, profitability and financial condition.

28. *We had negative cash flows during the last three financial years. Sustained negative cash flow could adversely impact our business, results of operations and financial condition.*

We had negative cash flows for FY 2009, FY 2010 and FY 2011 from our operating activities, investment activities and financial activities for each corresponding year. The details of the negative cashflow from our consolidated Financial Statements are given hereinbelow:-

(Rs. in lakhs)

	For the year ending March 31,		
	2011	2010	2009
Net cashflow from operating activities	-	(6,674.43)	-
Net cashflow from investing activities	(3,538.14)	(5.789.86)	(3,879.92)
Net cashflow from financing activities	-	-	(1,991.17)

Cash flow of a company is a key indicator to show the extent of cash generated from operations to meet its capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows, it may adversely affect our business operations and financial condition.

29. *Our contingent liabilities could materially and adversely affect our financial condition and results of operations if they crystallize.*

For the FY 2011, contingent liability not provided for appearing in our consolidated financial statements aggregated to Rs. 5,373.16 lakhs and CAD 75,500

(Rs. in lakhs except otherwise stated)

Particulars	2011

Estimated amount of Contracts remaining to be executed on Capital Account.	NIL
Claims against the Company not acknowledged as a debt	310.33 CAD 75,500
On account of Excise Matters	4,880.49
On account of Income Tax	22.29
On account of Sales tax	63.23
Guarantees issued by bankers on behalf	96.82
TOTAL	**5,373.16 and CAD75,500**

(CAD is stated in absolute number)

(i) M/s. Mahanagar Telephone Nigam Ltd and M/s Bharat Sanchar Nigam Ltd. had invoked bank guarantees totaling to Rs. 4,41,000 and Rs.7,55,081 respectively against which the company has filed cases against such invoking of bank guarantees and is advised that the matter will be resolved in favour of the company in respect of the said amount and hence no provision is made in the books of account.
(ii) In the Matter of dispute with M/s Bharat Sanchar Nigam Limited (BSNL), the Honourable High Court of Karnataka at Bangalore have referred the matter to the arbitrator to be appointed by M/s BSNL, against invoking of Bank guarantee of a sum of Rs.22,70,000.
(iii) There is a claim against one of the Company's properties located at Bangalore which is presently owned by the Company.

In addition, there are various claims pending before various tribunals and courts, which were not provided for because the amount was indeterminate. In the event that any of these contingent liabilities materialise, our financial condition may be adversely affected since the additional liabilities would affect our results from operations and profitabality.

30. *We are subject to foreign exchange fluctuations and associated risks.*

We are exposed to fluctuation in foreign exchange and risks associated with it, in a number of respects. While virtually all of our revenues are denominated in Indian Rupees, we source some of our raw materials from suppliers outside India, payments for which are made in foreign currencies. Further, we had remitted certain amount of money in the past, and may continue to do so in the future, to our Subsidiaries outside India by way of unsecured loans and for covering their operating expenses, which has increased in the past and may continue to increase in the future, increasing our exposure to foreign currency fluctuations. We currently do not engage in hedging to address our foreign currency exposure. For these reasons, significant fluctuations in exchange rates could have an adverse effect on our business, results of operations and financial condition.

31. *Our operations are subject to high working capital requirements. Our inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner or at all, to meet our requirement of working capital could adversely affect our business operations and profitability.*

Our business is working capital intensive. Our working capital requirements are also affected by the significant credit lines that we typically extend to our customers in line with industry practice. Under our existing set-up, inventory costs lie in our books till the actual sales are effected to the end consumer. Historically, we have met our working capital requirements through bank borrowings and/or infusion of equity capital. However, we cannot assure you that, going forward, we will be able to arrange funds at a competitive rate required to meet our working capital requirements. In such an eventuality, our business, financial condition and results of operations may be adversely affected.

32. *Delays or defaults in customer payments could result in a reduction of our profits.*

We may be subject to working capital shortages due to delays or defaults in payment by our customers. If our customers default in their payments to which we have devoted significant resources and have already planned our payments, it may have an adverse effect on our business, financial condition and results of operations.

33. *While our Company declared dividends in previous financial years we cannot assure you that our Company will make dividend payments in the future.*

While our Company declared dividends in previous financial years, our Company may not be able to pay dividends in the future. Such payments will depend upon a number of factors, including our Company's results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by our Board.

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

We have entered into, and may in the future enter into, certain related party transactions with our Promoters and the companies under the Kavveri Group. Additionally, as our Promoters will retain control of the Company after this Issue, we can provide no assurance that our transactions with such related parties will in all circumstances be made on an arms' length or commercial basis. For further details, see section titled "***Financial Statements***".

35. *Our Company does not own the premises at which the Registered Office is located*.

Our Company does not currently own the premises at which its Registered Office is located. The premises have been taken on rent from our Promoter, Ms. C. Uma Reddy. The rent agreement may be renewed subject to mutual consent of our Promoter and the Company. In the event that the Ms. C. Uma Reddy requires the Company to vacate the premises, it will have to seek new premises at short notice and for a price that may be higher than the rent currently being paid, which may affect its ability to conduct the business or increase its operating costs.

36. *Our Subsidiaries, Kavveri Technologies Inc., Kavveri Telecom Products UK Limited and Trackcom Systems International Inc do not own the premises at which its registered office is located.*

Our Subsidiaries, Kavveri Technologies Inc.("**KTI**"), KTPUL and TSII do not currently own the premises at which its registered office is located. The premises for the registered offices of KTI and TSII have been taken on rent from, Regus HQ and 46 Avenue Investments Limited ("**Lessors**") respectively. The rent agreement may be renewed subject to mutual consent of our Lessors and the Company. In the event that the Lessors do not renew our existing rent agreements or at time of renewal do not agree to terms favourable to our Subsidiaries, they will have to seek new premises at short notice and for a price that may be higher than the rent currently being paid, which may affect its ability to conduct the business or increase its operating costs. Further, the premises for the registered office of our Subsidiary, KTPUL has been taken on rent by an employee of the Subsidiary, Mr. Arun Avdhani and he is letting our Subsidiary, KTPUL use the premises as its registered office. Though Mr. Arun Avdhani believes that he is not violating any term of his rent agreement or any law of the land by letting KTPUL use the premises as its registered office, in the event that Mr. Arun Avdhani would have to vacate the premises, KTPUL will have to rent new premises at short notice, which may affect its ability to conduct the business or increase its operating costs.

37. *Majority of our business is dependent on our manufacturing facility at Jigani, Bangalore and the loss of or shutdown of or any disruption in the manufacturing facility could adversely affect our business, results of operations and financial condition.*

A significant portion of our business is dependent on smooth production of the telecom wireless subsystems products at our manufacturing facility at Jigani, Bangalore; and therefore, we are subject to various operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, labour unrest, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. We may also be susceptible to various local factors such as localized unrest, localized political turmoil, natural disasters or breakdown of services and utilities in and around the area where our manufacturing facility is located. Further, the continuous addition of industries in and around Jigani and Bangalore without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure therein, which may adversely affect our business. Any significant operational problem, loss or shutdown of the manufacturing facility for an extended period of time or the aforementioned localized factors could adversely affect our business, results of operations and financial condition.

38. ***If we are unable to implement our growth strategies in a timely manner, our business and results of operations could be adversely affected.***

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Our growth strategy may place significant demands on our management and other resources. Our growth strategies involve risks and difficulties, many of which are beyond our control and accordingly there can be no assurance that we will be able to complete our plans on schedule or without incurring additional expenditures or at all. There can be no assurance that we will be able to execute our strategy on time and within the estimated budget in the future. If we are unable to implement our business and growth strategy, this may have an adverse effect on our business, financial condition and results of operations.

39. ***Our Company may not be able to successfully implement any proposed acquisition, partnership or alliance as part of our business or growth strategy which would adversely affect our operations and profitability.***

Our ability to implement fully or successfully any future acquisitions, partnership or alliance we make as part of our business strategy is dependent upon a number of factors including, but not limited to, our ability to:

- identify new opportunities for acquisitions, partnerships or alliances, locally and abroad, to enhance our presence in the international market and/or improve our production efficiency and reduce production costs;

- successfully integrate any such acquisitions, partnerships or alliances into our existing lines of business and operations; and

- appropriately develop and take advantage of potential synergies or economies of scale from any such acquisitions, partnerships or alliances.

We propose to use the proceeds from this Issue to invest in acquiring companies overseas and to further invest in our Subsidiary KTIL. Our Company cannot assure you that any or all of the aforementioned objectives will be successfully or fully executed. For example, we may not be able to identify suitable targets for acquisitions, partnerships or alliances that meet our strategic criteria and/or may not be able to acquire them on satisfactory terms.

Our Company from time to time adopts certain growth strategies, including the expansion projects and the introduction of new products. Any new project or introduction of any new product involves risks and difficulties and accordingly there can be no assurance that our Company will be able to complete our plans on schedule or within budget. If market conditions change or if operations do not generate sufficient funds, or for any other reasons, our Company decides to delay, modify or forego some aspects of our growth strategies, our results of future operations may be materially adversely affected.

40. ***Our success significantly depends on availability of our Promoters and key managerial personnel who are part of our senior management and operational teams and other skilled professionals. If we fail to retain, motivate and/or attract such personnel, our business may suffer and our revenues could decline, and loss of such persons could adversely affect the business and operations of our Company.***

Our Company depends on the management skills and guidance of our Promoters, Mr. C. Shivakumar Reddy, Mrs. R.H. Kasturi and Ms. C. Uma Reddy for managing its current operations, development of business strategies and monitoring its successful implementation. Our Company has an experienced team of professionals to implement our strategies and oversee the operations and growth of our businesses. Our ability to meet future business challenges and execute business strategies depends in large part on our ability to attract, train, motivate and retain highly skilled professionals. Due to the limited pool of available skilled personnel, competition for senior management and skilled engineers in our industry is intense, thus, we may experience difficulties in attracting, recruiting and retaining an appropriate number of managers and engineers for our business needs. We may also need to increase our pay structures to attract and retain such personnel. If our Company is unable to hire and retain additional qualified personnel, our ability to grow our business operations may be impaired and our revenues could decline.

Furthermore, our Company does not maintain key-man insurance for any of its key personnel and loss of the services of such key personnel may have an adverse effect on our business, financial condition and results of operations. Our Company is also dependent on other members of our senior management team, and the loss of the services of some of these individuals could adversely affect the business and operations of our Company.

41. ***Our Directors, Mr. C. Shivakumar Reddy and Mrs. R.H. Kasturi, have interests in some of the companies forming a part of our Promoter Group which may lead to a conflict of interest between our Company and such other Promoter Group companies.***

Our Directors, Mr. C. Shivakumar Reddy and Mrs. R.H. Kasturi, are also directors of SMR Telecom Holdings Private Limited ("**SMR**") and Kavveri Telecom Innovations Private Limited ("**KTIPL**"), companies which are a part of our Promoter Group. The main objects as stated in the memorandum of association of SMR and KTIPL authorise them to carry out business similar to the business of our Company. As on the date of this Preliminary Placement Document, neither SMR nor KTIPL carry on any operational business, hence, we have not entrered into a non-compete agreement with either SMR or KTIPL. However, in the event either SMR or KTIPL, or both, are engaged in a business similar to the business of our Company, there may arise a conflict of interest between our Company and SMR and / or KTIPL. Such a situation may have an adverse impact on the business, growth prospects and the financial condition of our Comapny. For further details, please refer to the section titled '***Common Pursuits – Board of Directors and Management***'.

42. ***Grants of stock options under the employee stock option plan of our Company will result in a charge to its profit and loss account and its profitablity will be affected to that extent.***

Our Company has an employee stock option plan, under which eligible employees and Directors of the Company and its subsidiary companies can participate. As of the date of this Preliminary Placement Document, the Company has granted 1,39,125 options to eligible employees pursuant to the scheme of which 27,413 are vested, 17,300 have lapsed and the balance are yet to be vested. Under Indian GAAP, the grant of stock options will result in a charge to the profit and loss account based on the difference between the fair value of shares determined at the date of grant and the exercise price, which will affect our profitability to that extent.

43. ***Our Company has failed to comply with the reporting requirements of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.***

Our Company had for the period 1997 to 2007, not filed certain forms as required under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992. We have rectified these errors and filed the required filings with the Stock Exchanges on August 31, 2011 and the same was acknowledged by the Stock Exchanges on September 6, 2011. Though no penal provisions have been levied by any authority till date, we cannot guarantee that no penal provisions for the past violations will be levied in future. If any penal provisions for our past violations are levied in future, it may have an adverse effect on our business, results of operations and financial condition.

44. ***Our Company has misplaced certain filings made with the Registrar of Companies, Karnataka***

Our Company has misplaced certain filings made with the RoC, Karnataka relating to the appointment of some of our Directors, increase in share capital and return of allotments of Equity Shares of the Company, amongst others. Our Company engaged Mr. D. Venkateswarlu, a practicing company secretary to conduct a search of the Company related documents available on the official website of the MCA. The search report dated July 4, 2011 stated that the D-File of the Company is not provided for inspection in the office of the RoC, Karnataka, and that the search report was based only on the documents available in the MCA website. The aforementioned filings are not available on the MCA website as well. With regard to the misplaced filings, the RoC may invoke penal provisions and levy fine on our Company. Although, there has been no fines levied or any other penal provisions invoked agianst our Company, we cannot guarantee the same in the future.

External Risk Factors

45. ***Political instability or changes in the policies formulated by the Government of India from time to time could affect the liberalization of the Indian economy and adversely affect our business, results of operations and financial condition.***

Our Company is incorporated in India and a significant portion of our fixed assets and human resources are located in India. Our business, and the market price and liquidity of our Equity Shares may be adversely affected by changes in foreign exchange rates and regulations, interest rates, government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. The rate of economic liberalisation in India could change in future, and statutory/regulatory requirements and/or policies, the general economic environment in India, foreign investment, the securities market, currency exchange and other matters affecting our business and/or investment in our securities could change as well. Any significant change in liberalisation and deregulation of policies in India could adversely affect business and economic conditions in India generally and our business, operations and profitability in particular.

46. ***The international nature of our business exposes us to several risks, such as diverse and complex regulatory requirements and political and economic uncertainties.***

We have operations in India and Canada and we service clients across India, North America and Europe. As a result, we are exposed to risks typically associated with conducting business internationally, many of which are beyond our control.

These risks include:

- social, political or regulatory developments that may result in an economic slowdown in any of these regions;
- legal and contractual uncertainty due to the overlap of different legal regimes, and problems in asserting contractual or other rights, across international borders or due to other reasons;
- potentially adverse tax consequences, such as scrutiny of transfer pricing arrangements by authorities in the countries in which we operate and increase of withholding and other taxes;
- potential tariffs and other trade barriers;
- changes in regulatory requirements;
- the burden and expense of complying with the laws and regulations of various jurisdictions; and
- terrorist attacks and other acts of violence or war.

The occurrence of any of these events could have an adverse effect on our business, prospects, results of operations and financial condition.

47. ***Natural calamities could have a negative impact on the Indian economy and harm our business.***

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. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy which could adversely affect our business and the price of our Equity Shares.

48. ***The telecom sector in India is a highly regulated sector. Any change or amendment in the current regulations might have an adverse impact on the business of our Company.***

The telecom sector in India is governed by a large number of central legislations and the various rules and regulations promulgated under such legislations. Any change or amendment in the existing framework of rules and regulations governing the telecom sector might adversely affect us, directly or indirectly. Such change or amendment in the regulatory framework might force us to change our business model or our business operations, thus adversely affecting our profitability and financial condition.

49. ***The outcome of the 2G scam may have an indirect adverse effect on our business and financial condition.***

Several telecom service providers are facing investigations and court proceedings in relation to the 2G spectrum scam. In the event any adverse order is made by the courts of law against the telecom service providers involved in the 2G spectrum scam, and if such telecom service providers are one of our customers, there may be an indirect adverse impact on our business, profitability and financial condition. Also, if any such scam / irregularities emerge in the 3G spectrum allocation at any future date, such an event may also have an indirect adverse impact on our business growth, profitability and financial condition.

50. *Financial instability in global markets could disrupt Indian markets, our business and impact the trading price of our Equity Shares.*

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the world in previous years had had an adverse impact on the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. Loss of investor's confidence in the financial systems of other emerging markets may directly cause volatility in Indian financial markets and indirectly in the Indian economy. Any worldwide financial instability could also have a negative impact on the Indian economy. This, in turn, could negatively impact the movement of exchange rates and interest rates in India. Therefore, any significant financial disruption could have an adverse effect on our Company's business, its future financial performance and the trading price of our Equity Shares.

51. *Any downgrading of India's debt rating by an Indian or international rating agency could adversely affect our business.*

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

52. *Statistical and financial industry data in this Preliminary Placement Document may be incomplete or unreliable.*

Our Company has not independently verified data from industry publications and other third party sources and therefore cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in other countries. In addition, our internal reports have not been verified by independent sources and may be incomplete or unreliable.

Risks Relating to Investment in our Equity Shares

53. *There is no guarantee that the Equity Shares will be listed on the BgSE and NSE.*

In accordance with the Indian laws and practices, permission for listing of the Equity Shares will not be granted until those Equity Shares have been issued and allotted. For obtaining permission, we would also be required to submit all relevant documents in respect of issuance of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BgSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

54. *An active market for our Equity Shares may not be sustained, which may cause the price of our Equity Shares to fall.*

While our Equity Shares are traded on the BgSE, NSE and BSE, there can be no assurance regarding the continuity of the existing active or liquid market for our Equity Shares, the ability of investors to sell their Equity Shares or the prices at which investors may be able to sell their Equity Shares.

The 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, in the past, experienced problems which, if 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 market price and liquidity of the securities of Indian companies, including our Equity Shares.

55. ***Any further equity offering by our Company may dilute your shareholding. Further any significant sales of shares by any major shareholder may affect the trading price of the Equity Shares.***

Any future equity offerings by our Company may lead to the dilution of investors' shareholdings in our Company or affect the market price of the Equity Shares and our ability to raise capital through an offering of our securities. Additionally, sales of a large number of our shares by a principal shareholder could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuances might occur could also affect the market price of the Equity Shares.

56. ***The market value of the Equity Shares may fluctuate due to the volatility of the Indian securities markets.***

The 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, in the past, experienced problems which, if 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 our Equity Shares.

57. ***Our Company will continue to be controlled by our Promoters, whose interests may differ from those of other shareholders.***

So long as our Promoters own a majority of our Equity Shares, they will be able to elect our entire Board of Directors and control most matters affecting us, including the appointment and removal of our officers, our business strategies and policies, any decisions with respect to mergers and acquisitions or dispositions of assets, our dividend policies and our capital structure and financings. Further, to the extent they hold the majority of our Equity Shares, they could delay or prevent a change of management or control of our Company, even if such a transaction may be beneficial to our other Shareholders. The interests of our Promoters, as our controlling shareholder, could also conflict with our interests or the interests of our other shareholders. As a result, our Promoters may take actions with respect to our business that may conflict with our interests or the interests of our other Shareholders.

58. ***Our investors may be subject to taxes arising out of capital gains.***

Under our current tax laws and regulations, capital gains arising from the sale of equity shares in a company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than twelve (12) months will not be subject to capital gains tax 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 a company held for more than twelve (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. Any gain realized on the sale of listed equity shares held for a period of twelve (12) months or less will be subject to short term capital gains tax. Further, tax on capital gains may be relieved under certain tax treaties.

59. ***Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, which may be material to investors' assessments of our financial condition. Our failure to successfully adopt IFRS could have an adverse effect on the price of our Equity Shares.***

Our financial statements, including the financial statements provided in this Preliminary Placement Document, are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of IFRS on the financial data included in this Preliminary Placement Document, nor have we provided a reconciliation of our financial statements to IFRS. IFRS differs in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Preliminary Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Placement Document should accordingly be limited. In making an investment decision, investors must rely upon their own examination of us, the terms of this Issue and the financial information contained in this Preliminary Placement Document.

There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. As we transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS experienced accounting personnel available, as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IFRS could have an adverse effect on the price of our Equity Shares.

MARKET PRICE INFORMATION AND OTHER INFORMATION CONCERNING THE EQUITY SHARES

The Equity Shares of the Company have been listed on the BgSE since 1997, on the NSE since January 28, 2008, and the Equity Shares of the Company are trading on the Indonext segment of the BSE since February 14, 2005. The tables below set forth, for the periods indicated, the high and low prices and the average daily trading volume on the BgSE, the NSE and the Indonext segment of the BSE, for the Company's Equity Shares.

As of the date of the Preliminary Placement Document, 1,68,68,980 equity shares of Rs. 10 each were issued and outstanding; further, [●] Equity Shares of Rs. 10 each would be issued and outstanding immediately after the Issue.

The high and low prices recorded on the BgSe, the NSE and the BSE, and the number of our Equity Shares traded on the days such high and low prices were recorded, for financial years ending March 31, 2009, 2010 and 2011 are stated below:

BgSE

Year ending March 31	High (Rs.)	Date of High	No. of Equity Shares traded on date of High	Total Volume of Equity Shares traded on date of high (Rs. in lakhs)	Low (Rs.)	Date of Low	No. of Equity Shares traded on date of Low	Total Volume of Equity Shares traded on date of low (Rs. in lakhs)	*Average price for the year (Rs.)
2009	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil
2010	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil
2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil

** Average of the daily closing prices*
Source: BgSE Website

NSE

Year ending March 31	Face Value of Equity Shares (Rs)	High (Rs.)	Date of High	No. of Equity Shares traded on date of High	Total Volume of Equity Shares traded on date of high (Rs. in lakhs)	Low (Rs.)	Date of Low	No. of Equity Shares traded on date of Low	Total Volume of Equity Shares traded on date of low (Rs. in lakhs)	*Average price for the year (Rs.)
2009	10	249.6	May 7,2008	12,669	31.10	22.5	March 12, 2009	3,403	0.80	105.08
2010	10	88.00	Jan 14, 2010	1,62,004	141.30	29.80	April 1, 2009	707	0.20	60.83
2011	10	156.60	Oct 25, 2010	2,86,582	450.90	84.35	April 1, 2010	22,976	19.50	118.75

** Average of the daily closing prices*
Source: www.nseindia.com

BSE

Year ending March 31	Face Value of Equity Shares (Rs)	High (Rs.)	Date of High	No. of equity shares traded on date of High	Total Volume of Equity Shares traded on date of high (Rs. in lakhs)	Low (Rs.)	Date of Low	No. of Equity Shares traded on date of Low	Total Volume of Equity Shares traded on date of low (Rs. in lakhs)	*Average price for the year (Rs.)
2009	10	249.35	May 7, 2008	72,785	178.00	23.65	March 9, 2009	9,539	2.30	104.96
2010	10	87.95	Jan 14, 2010	2,16,358	188.50	29.35	April 2, 2009	10,704	3.30	60.77
2011	10	157.35	Oct 25, 2010	2,42,610	382.90	84.35	April 1, 2010	39,611	33.70	118.73

** Average of the daily closing prices*
Source: www.bseindia.com

The high and low prices recorded on the BgSE, the NSE and the BSE, and the number of Equity Shares traded on the days such high and low prices were recorded, during the last six months, are stated below:

BgSE

Month, Year	High (Rs.)	Date of High	Total number of Equity Shares traded as on date of High	Total volume on date of High (Rs. in lakhs)	Low (Rs.)	Date of Low	Total number of Equity Shares traded as on date of Low	Total volume on date of Low (Rs. in lakhs)	Average price for the month (Rs.) *	Total volume of Securities traded in the month (no. of Equity Shares)	Total volume of securities traded in the month (Rs. in lakhs)
April 2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil	Nil	Nil
May 2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil	Nil	Nil
June 2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil	Nil	Nil
July 2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil	Nil	Nil
August 2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil	Nil	Nil
September 2011	Nil	-	Nil	Nil	Nil	-	Nil	Nil	Nil	Nil	Nil

** Average of the daily closing prices*
Source: BgSE Website

NSE

Month, Year	Face Value	High (Rs.)	Date of High	Total number of equity shares traded as on date of High	Total volume on date of High (Rs. in lakhs)	Low (Rs.)	Date of Low	Total number of Equity Shares traded as on date of Low	Total volume on date of Low (Rs. in lakhs)	Average price for the month (Rs.) *	Total volume of Securities traded in the month (no. of Equity Shares)	Total volume of securities traded in the month (Rs. in lakhs)
April 2011	10	132.25	April 13, 2011	88,952	116.10	118.05	April 1, 2011	137,551	163.40	127.41	1,220,555	1,576.80
May 2011	10	131.15	13 May 2011	107,970	141.20	121.25	May 3, 2011	86,641	107.30	126.20	2,324,300	2,971.00
June 2011	10	157.3	June 30, 2011	65,044	101.50	128.3	June 01, 2011	175,224	224.90	146.14	2,323,367	3,390.00
July 2011	10	163.2	July 08, 2011	80,828	129.50	148.6	July 29, 2011	59,489	88.40	156.72	1,537,178	2,431.10
August 2011	10	152.25	Aug 01, 2011	71,645	108.70	120.45	Aug 26, 2011	29,818	36.40	132.78	848,349	1,166.60
September 2011	10	142.15	September 20, 2011	44,016	63.16	127.8	September 05, 2011	24,820	32.13	134.34	784,880	1062.97

** Average of the daily closing prices*
Source: www.nseindia.com

BSE

Month, Year	Face Value	High (Rs.)	Date of High	Total number of Equity Shares traded as on date of High	Total volume on date of High (Rs. in lakhs)	Low (Rs.)	Date of Low	Total number of Equity Shares traded as on date of Low	Total volume on date of Low (Rs. in lakhs)	Average price for the month (Rs.) *	Total volume of Securities traded in the month (no. of Equity Shares)	Total volume of securities traded in the month (Rs. in lakhs)
April 2011	10	132.55	April 6, 2011	151,985	199.00	118.40	April 1, 2011	157,673	187.50	127.78	1,720,664	2,220.60
May 2011	10	131.35	May 13, 2011	107,341	141.60	121.10	May 3, 2011	66,578	82.60	126.28	2,154,238	2,747.60
June 2011	10	156.95	June 30, 2011	88,071	137.10	129.05	June 01, 2011	134,642	173.00	146.39	2,898,106	4,217.90
July 2011	10	163.15	July 08, 2011	91,746	147.20	149.05	July 29, 2011	75,799	112.60	156.87	1,449,006	2,287.10
August 2011	10	151.55	Aug 01, 2011	70,543	106.70	120.20	Aug 26, 2011	23,626	28.90	132.80	952,056	1,297.40
September, 2011	10	142.60	September 20, 2011	42,466	60.95	128.35	September 05, 2011	23,836	30.94	134.46	816,538	1106.22

** Average of the daily closing prices*
Source: *www.bseindia.com*

The following table sets forth the market price and the volume of the Equity Shares transacted on the BgSE on June 3, 2011, the first working day following the Board meeting approving the Issue:

Date	BgSE				
	Open	**High**	**Low**	**Close**	**Volume**
June 3, 2011	Nil	Nil	Nil	Nil	Nil

The following table sets forth the market price and the volume of the Equity Shares transacted on the NSE on June 3, 2011, the first working day following the Board meeting approving the Issue:

Date	NSE				
	Open	**High**	**Low**	**Close**	**Volume of Shares**
June 3, 2011	132.5	134	131.05	132.75	37,784

The following table sets forth the market price and the volume of the Equity Shares transacted on the BSE on June 3, 2011, the first working day following the Board meeting approving the Issue:

Date	BSE				
	Open	**High**	**Low**	**Close**	**Volume of Shares**
June 3, 2011	133	134.9	132.05	133.3	43,619

Share Capital

As on the date of this Preliminary Placement Document, the Company's authorized share capital is Rs. 2,500 lakhs divided into 250 lakhs equity shares of Rs. 10 each. The issued and subscribed equity share capital of the Company is divided into 16,868,980 equity shares of Rs. 10 each. The entire issued Equity Shares of the Company have been fully paid up. Hence the paid up equity share capital is Rs. 16,86,89,800.

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. [●] lakhs. After deducting the issue expenses of approximately Rs. [●] lakhs, the net proceeds of the Issue will be approximately Rs. [●] lakhs. Subject to compliance with applicable laws and regulations, our Company intends to use the proceeds of the proposed Issue for investment in overseas acquisitions and further investment in Kavveri Telecom Infrastructure Limited.

The main objects clause and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the objects clause of our Memorandum of Association.

As of the date of this Preliminary Placement Document, we have not entered into any definitive commitment or binding agreement for any material acquisition or strategic relationship or form of any investment in our Subsidiary, Kavveri Telecom Infrastructures Limited. In accordance with the policies set up by our Board and as permissible under applicable laws and government policies, the management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in creditworthy instruments, including money market Mutual Funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies approved by our Board from time to time and all applicable laws and regulations.

CAPITALISATION

(Rs. in lakhs)

	As of March 31, 2011	As adjusted for this Issue
Short-term borrowings		
Secured	7,217.55	[•]
Unsecured	4,048.00	[•]
Total short-term borrowings	11,265.55	[•]
Long-term borrowings		
Secured	4,418.89	[•]
Unsecured	69.59	[•]
Total long-term borrowings	4,488.48	[•]
Total Debt	15,754.03	[•]
Shareholders' funds		
Share capital		
Authorized capital(1):		
2,00,00,000 Equity Shares, face value Rs.10 each	2,000.00	[•]
Issued capital(2):		
1,40,68,980 Equity Shares, face value Rs. 10 each, all paid up	1,406. 90	[•]
Share Application Money	1,223.81	
Other reserves (excluding revaluation reserves) (3)	17,250. 71	[•]
Total shareholders' funds (excluding revaluation reserve)	19,881.42	[•]
Consolidated Capitalisation(4)	35,635.45	[•]

1. *The authorised share capital of the Company was increased from Rs. 20 crores divided into 2,00,00,000 Equity Shares to Rs. 25 crores divided into 2,50,00,000 vide Shareholders' resolution dated July 4, 2011*
2. *The Board of Directors in its meeting dated June 2, 2011 have approved the conversion of warrants allotted earlier on preferential basis, to its Promoters and strategic investors amounting to 28,00,000 shares with a face value of Rs. 10 each/- at a premium of Rs.103/- per share.*
3. *It doesn't include Foreign Currency Translation reserve aggregating Rs. 432.22 Lakhs and Employee Stock Option Outstanding aggregating Rs. 45.73 Lakhs.*
4. *Consolidated Capitalisation equals Shareholder's Funds plus Total Debt.*

INDEBTEDNESS

Indebtedness of our Company

i) **Secured Loans**

A. Details of the loans given by State Bank of India

The Company has procured facilities as detailed below, from the State Bank of India (the "**Bank**") sanctioned vide letter dated August 12, 2009.

Details of the facilities procured from the Bank (the "**SBI Facilities**"):

a) Cash credit ("**CC**") facility for an amount of Rs. 35,00,00,000
b) Bill discounting facility for an amount of Rs.25,00,00,000
c) Letter of credit ("**LC**") (inland/import): Rs. 50,00,00,000
d) Bank guarantee: Rs. 5,00,00,000
e) Corporate loan (pre – existing, sanctioned on January 4, 2008): Rs. 6,70,00,000
f) Term loan-I (pre – existing, sanctioned on January 4, 2008): Rs. 11,33,00,000
g) Term loan- II: Rs. 10,00,00,000

As of August 31, 2011, details of the term loans taken by the Company are as follows:

(Amount in Rs.)

S. No.	Name of the Lender	Outstanding as of August 31, 2011
1.	State Bank of India (term loans)	Rs. 5,29,77,411
Total		**Rs. 5,29,77,411**

As of August 31, 2011, details of the working capital loans taken by the Company are as follows:

(Amount in Rs.)

S. No.	Name of the Lender	Outstanding as of August 31, 2011
1.	State Bank of India	Rs. 60,71,97,499
Total		**Rs. 60,71,97,499**

Key terms of the SBI Facilities are as follows:

- During the currency of SBI Facilities, the Company shall not, without the prior approval of the Bank in writing:

a) Effect any change in its capital structure
b) Formulate any scheme of amalgamation or reconstruction
c) Undertake any new project/scheme, implement any scheme of expansion or acquire fixed assets without obtaining the Bank's prior consent therefor, unless the expenditure on such expansion etc., is covered by the Company's net cash accruals after providing for dividends, investments etc., or from long term funds received for financing such new projects or expansion and approved by the Bank
d) Invest, by way of share capital, in or lend or advance funds to or place deposits with any other concern. Normal trade credit of security deposit in the usual course of business or advances to employees etc are however not covered by this covenant
e) Enter into borrowing arrangement either secured or unsecured with any other bank, financial institution, company or otherwise, save and except the working capital facilities granted/to be granted by other consortium-member banks, under consortium arrangement with the Bank and the term loans proposed to be obtained from financial institutions/banks for completion of the replacement-cum-modernization program
f) Undertake guarantee obligations on behalf of the Company

g) Declare dividends for any year, except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations
h) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company or persons
i) Sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the Bank
j) Enter into any contractual obligation of a long term nature or affecting the Company financially to a significant extent
k) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees etc
l) Permit any transfer of the controlling interest or make any drastic change in the management set-up

Security for the SBI Facilities

The term loans procured from the Bank are secured by way of first charge on the entire present and future current assets of the Company. A detailed break-up of the security is given below:

Primary Security

Working capital: The working capital loan procured from the Bank is secured by way of first charge on the entire present and future current assets of the Company.

Corporate Loan and Term Loans (I and II)

- First charge on the entire present and future fixed assets of the Company.
- Equitable mortgage of land and building situated at old survey no. 104/2, katha No. 181/63, 152/191 in Suragajakkanahalli, Kasaba Hobli, Anekal Taluk, Bangalore District, measuring 1,03,455 square feet.
- First charge on the fixed assets purchased out of the term loans.

Collateral

Working Capital, Corporate Loan and Term Loans (I and II):

- Pledge of 5 lakh shares of Promoters' holding (Mr. C. Shivakumar Reddy and Mrs. R H Kasturi) in our Company
- Pledge of 29,200 shares held by our Company in Kavveri Technologies Inc ("**KTI**");
- Equitable mortgage of residential house No. 14 Ramanashree, 29th Main Road, BTM Layout, II Stage, Bangalore-76. area: 4200 sq ft. (carpet area 3600 sq ft.), which is in the names of Mr. C Shivakumar Reddy's sons viz. C. Rohit Reddy, C. Mokshit Reddy and C. Sanket Ram Reddy.

Guarantee

Personal guarantee of two Promoter Directors:

1. Mr. C. Shivakumar Reddy (Chairman & Managing Director)
2. Mrs. R. H. Kasturi

B. Details of the Vehicle Loans availed by our Company

(Amount in Rs.)

S. No.	Name of the Lender	Date of availing the loan	Amount availed	Outstanding as of August 31, 2011
1.	Tata Capital Limited	October 13, 2010	12,67,000	9,10,166
2.	Axis Bank Limited	May 21, 2009	45,75,000	12,88,259
3.	HDFC Bank Limited	June 4, 2010	34,33,000	20,93,234

ii) **Unsecured Loans**

Our Company has availed of an unsecured loan of Rs. 500 lakhs on August 5, 2011 from ACG Associated Capsules Private Limited. Our Promoters have pledged 8,20,000 shares of our Company *vide* pledge agreement dated August 4, 2011 for the said loan.

DIVIDEND POLICY

The declaration and payment of dividend by our Company is governed by the applicable provisions of the Companies Act and our Articles of Association. For further information, see the section titled *"**Description of Shares**"*. Under the Companies Act, the board of directors of a company recommends the payment of dividend and the shareholders approve of the same at a general meeting. The shareholders at a general meeting may declare a lower, but not a higher dividend than that recommended by the board of directors. In India, dividends are generally declared as a percentage of the face value of the equity shares. The dividend recommended by the board of directors 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 on the record date for which such dividend is payable. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders or those persons whose names are entered as beneficial owner in the record of the depositary on the date specified as the 'record date' or 'book closure date'.

The declaration and payment of dividends will be recommended by the Board and approved by the Company's shareholders, at their discretion, and will depend on a number of factors, including but not limited to the Company's profits, capital requirements and overall financial condition.

The Equity Shares to be issued in connection with the Issue shall qualify for any dividend or interim dividend that is declared in respect of the financial year in which such shares have been allotted.

The table below sets forth the details of the dividends declared by the Company on its Equity Shares during FY 2008, FY 2009 and FY 2010:

(Rs.in lakhs, except percentages)

Particulars	FY 2008	FY 2009	FY 2010
Dividend Rate	20%	10%	20%
Dividend Amount	201.22	100.61	201.38
Dividend Distribution Tax	34.20	17.10	33.45
Total	**235.42**	**117.71**	**234.83**

The Board of Directors vide their meeting held on May 30, 2011 have declared a final dividend at the rate of 15% for FY 2011. The same has been approved by the Shareholders at a Shareholders' meetingheld on September 30, 2011.

Future dividends will depend on our Company's revenues, cash flows, financial condition (including capital position) and other factors. The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. There is no guarantee that any future dividends will be declared or paid or that the amount thereof will not be decreased.

The Equity Shares to be issued in connection with the Issue shall qualify for any dividend that is declared in respect of the financial year in which such shares have been allotted.

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

*The following discussion of our financial condition and results of operations is based on our audited consolidated financial statements ("**Consolidated Financial Statements**") as of and for the year ended March 31, 2009 ("**FY 2009**"), March 31, 2010 ("**FY 2010**"), and March 31, 2011 ("**FY 2011**"), which appear in the section titled "**Financial Statement**" in this Preliminary Placement Document. The Consolidated Financial Statements relate to Kavveri Telecom Products Limited (hereinafter referred to as the "**Company**") and its Subsidiaries (Company along with the Subsidiaries, hereinafter referred to as the "**Group**").*

The significant accounting policies applied in the preparation of our Indian GAAP Financial Statements are as set forth in notes to our Consolidated Financial Statements included in this Preliminary Placement Document. Prospective investors should review the accounting policies applied in the preparation of our Consolidated Financial Statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and how they might affect the financial information contained in this Preliminary Placement Document.

*This section contains forward-looking statements that involve risks and uncertainties. Our Group's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under the section titled "**Risk Factors**".*

Overview

We are manufacturers and exporters of wireless subsystem products such as RF products and antennas, providing end to end wireless solutions. We provide total turnkey solutions for coverage and capacity enhancement requirements for telecom applications in India and abroad and customized products for defense and space applications in India. In addition to manufacturing and supply of products, we also provide IBS for communication signal and capacity enhancement requirement for cellular operators in large buildings like malls, hotels, hospitals and commercial buildings. Our Company has a manufacturing facility of 1,32,861.96 square feet for manufacturing wireless subsystem products at our Jigani Facility. From our facility we offer design, manufacturing, assembly and testing of high-performance wireless subsystem products.

Our Company started its operations in 1996 by taking over the business of a proprietary concern KMC as a going concern. KMC was engaged in the business of manufacturing professional grade microwave components and had a separate R &D division in Bangalore to develop new products to cater to evolving trends of the wireless telecom market. We started manufacturing products such as Duplex Filters and presently, the range of products manufactured and supplied by us include Isolators, Circulators, Power Combiners, Low Noise Amplifiers and Attenuators etc. We manufacture and supply products to provide total turnkey solutions for coverage and capacity enhancement requirements for cellular operators covering CDMA, GSM, DCS and UMTS technologies in India, and outside India and for defense and space organisations in India. We also provide IBS on turnkey basis, both in CapEx and OpEx model. Under the CapEx model, we supply the material, execute the project and hand over the same to the customer. Under the OpEx model we act as a neutral host provider to multiple operators on BOL or BOO basis. Our Subsidiary, KTIL was incorporated to meet the growing demands for IBS, providing value addition to the markets of the cellular operators.

In 2003, Megasonic Telecoms Private Limited amalgamated with our Company with an aim to combine the strengths of both the companies. We also provide intelligent indoor coverage solutions for the mobile communications industry. As a step towards our inorganic growth plans, we acquired a division of Wi-Lan Inc., purchased assets of Spotwave Wireless Inc. and Spotwave Wireless Canada Inc. and acquired DDCI and TSII which increased our product portfolio, technology, intellectual property and widened our customer base and provided an opening in the North American markets. We have incorporated KTPUL, for us to be able to market our products in Europe, enhancing our global presence. We manufacture some of the products for which orders are placed with our Subsidiaries in Canada, in our Jigani Facility. The same is either supplied directly to the customer or is supplied to the Subsidiary receiving the work order.

In the domestic market our customers are primarily cellular operators such as Aircel Limited , Tata Teleservices Limited, etc., OEMs, defense and space organisations. Our wireless subsystem products are primarily exported to North America and Europe where we have been able to attract and retain leading names in both of the wireless communication products and IBS space, as our customers. Our customers are primarily telecom companies, OEMs, airports and radio channels in their country.

Our total consolidated income for FY 2009, 2010 and 2011 was Rs. 19,499.48 lakhs, Rs. 25,072.18 lakhs and Rs. 35, 175.15 lakhs, respectively. Our profit after tax for the same periods was Rs. 903.82 lakhs, Rs. 2,577.82 lakhs and Rs. 3,931.28 lakhs, respectively.

Significant developments after March 31, 2011

In the opinion of our Board of Directors, except as stated elsewhere in this Preliminary Placement Document and other than as stated herein below, no circumstances have arisen since March 31, 2011, which is the date of the last audited financial statement as disclosed in this Preliminary Placement Document, which materially and adversely affect or are likely to affect the trading and profitability of our Company or the value of our assets or our ability to pay our liabilities.

- Our Company has received an order for contract manufacturing from a European company. The same was publicly announced on May 4, 2011.

- Our Company has developed a polarised CPE Antennas for 4G technology for the North American market. The same was publicly announced on May 10, 2011.

- Board of Directors of our Company *vide* meeting dated May 20, 2011 approved acquisition of a European company engaged in the business of manufacturing RF products.

- Our Company allotted 28,00,000 Equity Shares to our Promoters and strategic investors, pursuant to conversion of warrants allotted earlier on preferential basis, *vide* Board meeting dated June 2, 2011.

- The authorised share capital of our Company was increased from Rs. 20 crore to Rs. 25 crore *vide* Board meeting dated June 2, 2011 and Shareholders' meeting dated July 4, 2011.

- Upon making the requisite payments, we have been allotted *vide* a letter dated June 25, 2011 for 6,964 square meters of land at Plot no. 299-A of Harohalli 2nd Phase Industrial Area, Kanakpura, Bangalore on sale cum lease basis which includes lease for a period of 10 years from Karnataka Industrial Areas Development Board *vide* allotment letter dated November 18, 2009. The sale cum lease agreement with the Karnataka Industrial Areas Development Board for the said property is executed on June 22, 2011. The sale cum lease agreement stipulates that upon completion of the lease period of 10 years, the ownership of the land would be transferred to our Company upon payment of balance consideration as then determined by the Karnataka Industrial Areas Development Board.

- Our Company has developed a satellite receiver for space applications and for navigation of aircrafts for a customer. The same was publicly announced on July 6, 2011.

- Our Company has launched a 16dBi Array Antennae in AWS Band (1710-2155 mhz) for the cellular networks in AWS Band in North America. The same was publicly announced on August 30, 2011.

Factors Affecting Our Results of Operations

A number of general factors affected our financial performance during each of FY 2009, FY 2010 and FY 2011. These factors may affect our financial performance in the future, and include:

- ***Government policies impacting wireless subsystem products industry in India***

Any change in Government rules and regulations and introduction of new policies, laws, rules and regulations, relating to the wireless subsystem products industry may adversely affect our financial condition and results of operations.

- ***Economic conditions in some countries***

We currently manufacture and sell our products to customers in India, North America and Europe. As a consequence, our results of operations are significantly affected by factors influencing the manufacturing industry and the economy generally. Any slowdown or perceived slowdown in the global economy, or in specific sectors of the Indian, Canadian, American and European economy, or rise in inflation, globally or in India, could adversely impact our business and financial performance.

- ***Changes in interest rates***

The interest rates on certain of our borrowings may fluctuate on account of changes in the prime lending rate of lenders. If the interest rates of our existing or future borrowings increase significantly, our cost of funds will also increase. This may adversely impact our planned capital expenditures, financial condition and results of operation.

- ***Raw material availability and cost***

Aluminium sheets, aluminium profiles, aluminium die casting parts, ABS material, RF cables, RF connectors, copper clad laminates, transistors, chip resistors, chip capacitors, integrated circuits, parts of microwave components and Combiners are some of the raw materials we use for manufacturing of our wireless subsystem products. Net material consumption as a percentage of our total income was about 61.56%, 37.99% and 73.66% for FY 2009, 2010 and 2011 respectively. Any adverse fluctuations in the price of these raw materials could affect the results of our operations.

- ***Competition and pricing pressures***

We operate in a competitive market environment. We face competition in the domestic and the international market from both unorganised and the organised sectors. Through a diversified product portfolio, quality approach, manufacturing flexibility, modern technology and an expanded marketing network, we attempt to overcome these competitive pressures. Any failure on our part to anticipate and respond to pricing and other competitive pressures in the wireless telecom equipment industry may affect our results of operations. Any change in our pricing structure, either as a result of governmental or in response to competition, could affect our business, results of operations and financial condition.

Critical Accounting Policies

Our critical accounting policies are those that are relevant to the presentation of our financial condition and results of operations. While we believe that all aspects of our financial statements should be reviewed when assessing our current and expected financial condition and results of operations, we believe that the following accounting policies warrant particular attention.

Basis of Accounting / Preparation: The accounts of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in Indian GAAP and comply with the mandatory accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules 2006 and with the relevant provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting periods. Management believes that the estimates used in the preparation of the Consolidated Financial Statements are prudent and reasonable. Actual results could vary from these estimates. Any revision to the accounting estimates is recognised in the period in which such results are known/materialised.

Principles of Consolidation: The Consolidated Financial Statements of our Company together with audited financial statements of its Subsidiaries as described in (c) hereunder have been considered for the purpose of consolidation.

(a) The Financial Statements of our Company and its Subsidiaries as described hereunder have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses. The results of the Subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of the acquisition or upto the effective date of disposal, as appropriate. All significant intra-group balances and transactions have been eliminated on consolidation. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of our Company and its shares in the post acquisition change in the relevant reserves of the Subsidiaries.

(b) 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 our Company's financial statements.

(c) Subsidiaries:

The Subsidiaries considered in the Consolidated Financial Statements for the FY 2011 and 2010 are:

NAME OF THE COMPANY	Country of Incorporation	Percentage of holding as on March 31, 2011/2010	Accounting period
Direct Subsidiaries			
Eaicom India Private Limited	India	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Kavveri Telecom Infrastructure Limited	India	51%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Kavveri Telecom Products UK Limited	England	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Kavveri Technologies Inc	Canada	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Subsidiaries of the wholly owned Subsidiary, Kavveri Technologies Inc.			
Til-Tek Antennae Inc	Canada	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Trackcom Systems International Inc	Canada	67%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
DCI Digital Communications Inc	Canada	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Spotwave Wireless Ltd	Canada	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011
Kaveri Realty 5 Inc	Canada	100%	April 1, 2009 to March 31, 2010, April 1, 2010 to March 31, 2011

The Subsidiaries considered in the Consolidated Financial Statements for the FY 2009 are:

NAME OF THE COMPANY	Country of Incorporation	Percentage of holding as on March 31, 2009	Accounting period
Direct Subsidiaries			
Eaicom India Private Limited	India	100%	April 1, 2008 to March 31, 2009
Kavveri Telecom Infrastructure Limited	India	51%	April 1, 2008 to March 31, 2009
Kavveri Technologies Inc	Canada	100%	April 1, 2008 to March 31, 2009
Subsidiaries of the wholly owned Subsidiary, Kavveri Technologies Inc.			
Til-Tek Antennae Inc	Canada	100%	April 1, 2008 to March 31, 2009
DCI Digital Communications Inc	Canada	100%	April 1, 2008 to March 31, 2009
Spotwave Wireless Ltd	Canada	100%	April 1, 2008 to March 31, 2009
Kavveri Realty 5 Inc	Canada	100%	April 1, 2008 to March 31, 2009

Fixed Assets: Fixed assets are stated as cost of acquisition (net of Cenvat and VAT) plus subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation including finance charges which are directly attributable to the fixed assets less accumulated depreciation and impairment loss.

- Capital work in progress comprises of the cost of fixed assets that are not put to use as at the balance sheet date and advance paid towards acquisition of fixed assets and relevant financial charges incurred thereon.

- Our Company had acquired technical knowhow during earlier years and such technical knowhow acquired is being used to upgrade and develop new products and for enhancement of features and functionalities of the products to be developed out of the same. This expenditure is considered under fixed asset as technical knowhow.

- Softwares which are not integral part of the hardware are classified as intangibles and are stated at cost less accumulated amortization. Software's are being amortized over the estimated useful life which is estimated as three (03) years.

- The excess of cost to our Company of its investments in the Subsidiary(s) over its share of the equity of the Subsidiary(s), at the dates on which the investments in the Subsidiary(s) was made, is recognised as "Goodwill"; being an asset in the Consolidated Financial Statement.

Inventory Valuation: Raw materials, stores and spares and traded goods are stated at lower of cost and net realizable value. Cost is determined on first in first out basis, net of provisions. Work in progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

Investments: Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a diminution other than temporary in the value of investments.

Research and Development: Expenditure on research and development other than capital items is charged to revenue. Cost incurred on any generation of intangible/tangible asset out of the research and development activity is amortized/written off over the estimated life of the asset.

Revenue Recognition: Sales are recognized when the significant risks attached to the goods are passed on to the buyer and are recorded net of duties, trade discounts, and rebates. Sales returns are recognized as and when ascertained and are reduced from the sales turnover of the year.

Warranty Expenses: Estimated amount of warranty expenses evaluated on a technical basis on sale of radio products, wherever it is obligated to cover under warranty, is provided in the year of sale and the expired portion of the warranty expenses relating to the period/year are transferred to the profit and loss account. Unexpired portion of the warranty expenses is carried over as a liability in the books of account and is written back over the number of years of the coverage of warranty on the basis of estimated warranty expenses for such products.

Exchange Fluctuation: For the purpose of consolidation of accounts of foreign subsidiaries, average rate of currencies have been taken for revenue items and the year-end rates have been applied for balance sheet items as per Accounting Standard 11 ("**AS-11**") -"The Effects of Changes in Foreign Exchange Rates", notified by the Central government under the Companies (Accounting Standards) Rules, 2006. The net exchange difference for the translation of items in the financial statement of foreign Subsidiaries is taken to exchange fluctuation reserve.

Employee Benefits:

In respect of our Company including Indian Subsidiaries:

- *Provident Fund*: Eligible employees receive benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and our Company make monthly contributions to the Government administered provident fund. Our Company has no obligation beyond its contribution.
- *Gratuity*: A defined benefit retirement plan (the "**Gratuity Plan**") is provided to all employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation using the projected unit credit method, as of the balance sheet date.
- Expenses on ex-gratia payment to employees, a defined contribution plan, are accounted as and when accepted by the management.
- Provision in respect of leave encashment is made, based on actuarial valuation.

In respect of Foreign Subsidiaries:

- Foreign Subsidiaries make contribution to various social security plans and insurance schemes as per local requirements and generally accepted practices in their respective country of incorporation. Such contributions are charged to profit and loss account in the year in which the liability to pay arises.

Description of Income and Expenditure Items

Income

Our total income comprises income from sale of wireless products and services, other income which includes income from (i) interest on fixed deposits, (ii) miscellaneous income and (iii) provisions no longer required, written back and accretion/(decretion) to stock.

Expenditures

Our expenditures comprises of (1) operating expenses, (2) staff costs, (3) administrative, selling and other expenses; (4) interest and financial expenses and (5) depreciation.

Operating Expenses - These overheads include:

- Raw materials consumed/purchase of goods
- Other operating expenses such as cost of consumables, packing materials, job work, power charges, freight inward and other manufacturing expenses
- Warranty provision/(written back).

Staff costs – These overheads include:

- Salaries, wages and bonus (including commission paid to Directors)
- Provident fund and other funds contribution
- Gratuity and leave encashment contribution
- Amortization of deferred stock compensation expenses
- Staff welfare expenses

Administrative and selling expenses - These overheads include:

- Rent, insurance, rates and taxes
- Repairs and maintenance of plant and machinery, building and others
- Auditor's remuneration
- Research and development expenses
- Expenses such as those on conveyance and travelling, rebates and discounts, brokerage and commission, deferred revenue expense written off, pre operative expenses written off, loss on sale of assets, net exchange loss, bad debts written off, carriage outwards and miscellaneous expenses.

Interest and Financial expenses - These expenses include:

- Interest on term loans, cash credit and others
- Bank charges
- Bill discounting charges

Depreciation – Depreciation includes depreciation on land, building, plant and machinery, vehicles, furniture, fixtures, computers, intangible assets and computer software.

Overview

Results of Operations

The following table sets forth selected financial data from our profit and loss accounts, the components of which are also expressed as a percentage of total income for the periods indicated. This table should be read together with our Financial Statements, including the schedules, annexures and notes thereto, appearing elsewhere in this Preliminary Placement Document.

Particulars	FY 2011		FY 2010		FY 2009	
	(Rs. in lakhs)	***% of Total Income***	***(Rs. in lakhs)***	***% of Total Income***	***(Rs. in lakhs)***	***% of Total Income***
Income:						
Sale of wireless subsystem products/Service income	30,870.31	87.76	23,811.34	94.97	18,981.19	97.34
Other Income (Gross)	592.83	1.69	531.61	2.12	380.40	1.95
Accreition/(Decretion) to stock	3,712.01	10.55	729.23	2.91	137.89	0.71
Total	**35,175.15**	**100.00**	**25,072.18**	**100.00**	**19,499.48**	**100.00**
Expenditure:						
Operating Expense	24,488.02	69.62	14,915.59	59.49	12,423.70	63.71
Personnel Expense	1,951.04	5.55	1,820.49	7.26	1,626.90	8.34
Administrative, Selling and Other Expense	1,801.62	5.12	2,622.87	10.46	2,706.60	13.88
Interest and Financial expenses	1,354.44	3.85	1,272.26	5.07	1,251.07	6.42

Particulars	FY 2011		FY 2010		FY 2009	
	(Rs. in lakhs)	*% of Total Income*	*(Rs. in lakhs)*	*% of Total Income*	*(Rs. in lakhs)*	*% of Total Income*
Depreciation	717.40	2.04	597.45	2.38	228.59	1.17
Less: Expenses Capitalised during the year	(290.14)	(0.82)	(40.92)	(0.16)	-	-
Total	**30,022.38**	**85.35**	**21,187.74**	**84.50**	**18,236.86**	**93.52**
Profit before tax	5,152.77	14.65	3,884.44	15.50	1,262.62	6.48
(Add)						
Transferred to Deferred Revenue Expenditure	-	-	-	-	61.12	0.31
Less: Provision for Tax						
- Current Tax	1,278.05	3.63	905.62	3.62	271.93	1.39
- Deferred Tax	10.94	0.03	401.00	1.60	142.49	0.73
- Fringe benefit Tax	-	-	-	-	5.50	0.03
Add: MAT tax credit entitlement	67.50	0.19	-	-	-	-
Profit After Tax	3,931.28	11.18	2,577.82	10.30	903.82	4.64

FY 2011 compared to FY 2010

Income

Total income increased by 40.30% from Rs. 25,072.18 lakhs in FY 2010 to Rs. 35,175.15 lakhs in FY 2011.

Other income which includes (i) interest on fixed deposits, (ii) miscellaneous income and (iii) provisions no longer required, written back increased by 11.52% from Rs. 531.61 lakhs in FY 2010 to Rs. 592.83 lakhs in FY 2011. As a percentage of total income, other income decreased from 2.12% in FY 2010 to 1.69% in FY 2011.

Expenditures

Total expenditures increased by 41.70% from Rs. 21,187.74 lakhs in FY 2010 to Rs. 30,022.38 lakhs in FY 2011. As a percentage of total income, total expenditure increased from 84.50% in FY 2010 to 85.35% in FY 2011.

Our expenditures comprises of (1) operating expenses, (2) staff costs, (3) administrative, selling and other expenses, (4) interest and financial expenses and (5) depreciation.

Operating expense: The following table sets out certain information relating to manufacturing overheads for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2010	FY 2011	% Change
Raw materials consumed	9,507.04	25,910.74	173
Others	829.28	461.41	(44.36)
Warranty provision/(written back)	4,579.27	(1,844.13)	(141.14)
Total	**14,915.59**	**24,488.02**	**64.18**

Raw materials consumed increased by 173% from Rs. 9,507.04 lakhs in FY 2010 to Rs. 25,910.74 lakhs in FY 2011. As a percentage of total income, raw material consumed increased from 37.99% in FY 2010 to 73.66% in FY 2011. Other operating expenses decreased by 44.36% from Rs. 829.28 lakhs in FY 2010 to Rs. 461.41 lakhs in FY 2011. As a percentage of total income, other operating expenses decreased from 3.31% in FY 2010 to 1.31% in FY 2011. Warranty provision decreased by 141.14% from Rs. 4,579.27 lakhs in FY 2010 to Rs. 1,844.13 in FY 2011. As a percentage of total income, warranty provisions decreased from 18.30% in FY 2010 to -5.36% in FY 2011.

Staff costs: The following table sets out certain information relating to staff costs for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2010	FY 2011	% Change
Salaries, Wages & Bonus (Including Directors' Remuneration)	1,749.78	1,866.39	6.66
Contribution to:			
Provident fund and other funds	28.18	34.74	23.28
Gratuity and Leave encashment	9.48	9.50	0.21
Staff welfare expenses	23.14	3.62	(84.36)
Amortization of Deferred Stock Compensation Expenses	9.91	36.79	271.24
Total	**1,820.49**	**1,951.04**	**7.17**

Salaries, wages and bonus increased by 6.66% from Rs. 1,749.78 lakhs in FY 2010 to Rs. 1,866.39 lakhs in FY 2011. As a percentage of total income salaries, wages and bonus decreased from 6.99% in FY 2010 to 5.31% in FY 2011. Staff welfare expenses decreased by 84.36% from Rs. 23.14 lakhs to Rs. 3.62 lakhs. As a percentage of total income, staff welfare expenses decreased from 0.09% in FY 2010 to 0.01% in FY 2011.

Administrative and selling expense: The following table sets out certain information relating to administrative overheads for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2010	FY 2011	% Change
Rent	207.34	393.51	89.79
Insurance	37.36	24.98	(33.14)
Rates and Taxes	44.27	86.19	94.69
Repairs and Maintenance	94.36	88.28	(6.44)
Research and Development	378.62	235.08	(37.91)
Travelling and Conveyance	218.31	141.82	(35.04)
Miscellaneous expenses	492.61	462.00	(6.21)
Brokerage and Commission	17.80	7.60	(57.30)
Exchange loss (Net)	118.83	285.70	292.12
Auditor’s Remuneration	11.04	12.44	12.68
Bad Debt’s written off	25.01	-	(100)
Carriage Outwards	70.30	47.80	(32.01)
Preoperative expenses written off	0.05	3.13	6,160.00
Loss on sale of assets	7.34	0.86	(88.28)
Rebates and Discounts	899.63	-	(100)
Deferred revenue expenses written off	-	12.23	-
Total	**2,622.87**	**1,801.62**	**(30.09)**

The expenses on rent increased by 89.79% from Rs. 207.34 lakhs in FY 2010 to Rs. 393.51 lakhs in FY 2011. As a percentage of total income, the expenses on rent increased from 0.83% in FY 2010 to 1.12% in FY 2011. Research and Development expenditure decreased by 37.91% from Rs. 378.62 lakhs in FY 2010 to Rs. 235.08 lakhs in FY 2011. As a percentage of total income, research and development expenditure decreased from 1.51% in FY 2010 to 0.67% in FY 2011. The expenses on exchange loss increased by 140.42% from Rs. 118.83 lakhs in FY 2010 to Rs. 285.70 lakhs in FY 2011. As a percentage of total income, the net expenses on exchange loss increased from 0.47% in FY 2010 to 0.81% in FY 2011.

Interest and Financial expenses: The following table sets out certain information relating to financial overheads for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2010	FY 2011	% Change
Interest on term loans, cash credit and others	911.94	1,251.81	37.27
Bank charges	148.94	102.63	(31.09)
Total	**1060.88**	**1354.44**	**27.67**

Interest on term loans, cash credit and others increased by 37.27% from Rs. 911.94 lakhs in FY 2010 to Rs. 1,251.81 lakhs in FY 2011. As a percentage of total income, interest on term loans, cash credit and others decreased from 3.64% in FY 2010 to 3.56% in FY 2011. Bank charges decreased 31.09% from Rs. 148.94 lakhs in FY 2010 to Rs. 102.63 lakhs in FY 2011. As a percentage of total income, bank charges decreased from 0.59% in FY 2010 to 0.29% in FY 2011.

Depreciation: Depreciation increased by 20.08% from Rs. 597.45 lakhs in FY 2010 to Rs. 717.40 lakhs in FY 2011. As a percentage of total income, depreciation decreased from 2.38% in FY 2010 to 2.04% in FY 2011.

Profit before Tax

As a result of the foregoing, profit before tax increased by 32.65% from Rs. 3,884.44 lakhs in FY 2010 to Rs. 5,152.77 lakhs in FY 2011. As a percentage of total income, profit before tax decreased from 15.49% in FY 2010 to 14.65% in FY 2011.

Tax

Our tax expense decreased by 6.52% from Rs. 1,306.62 lakhs in FY 2010 to Rs. 1,221.49 lakhs in FY 2011. As a percentage of total income, tax expense decreased from 5.21% in FY 2010 to 3.47% in FY 2011.

Profit after Tax

As a result of the foregoing, our profit after tax increased by 52.50% from Rs. 2,577.82 lakhs in FY 2010 to Rs. 3,931.28 lakhs in FY 2011. As a percentage of total income, profit after tax increased from 10.28% in FY 2010 to 11.18% in FY 2011.

FY 2010 compared to FY 2009

Total income increased by 28.34% from Rs. 19,499.48 lakhs in FY 2009 to Rs.25,072.18 lakhs in FY 2010.

Other income which includes (i) interest on fixed deposits, (ii) miscellaneous income and (iii) provisions no longer required, written back increased by 27.67% from Rs. 380.40 lakhs in FY 2009 to Rs.531.61 lakhs in FY 2010. As a percentage of total income, other income decreased from 1.95% in FY 2009 to 2.12% in FY 2010.

Expenditures

Total expenditures increased by 15.93% from Rs. 18,236.86 lakhs in FY 2009 to Rs. 21,187.74 lakhs in FY 2010. As a percentage of total income, total expenditure decreased from 93.52% in FY 2009 to 84.50% in FY 2010.

Our expenditures comprises of (1) operating expenses, (2) personnel expense, (3) administrative, selling and other expenses, (4) interest and financial expenses and (5) depreciation.

Operating expense: The following table sets out certain information relating to manufacturing overheads for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2009	FY 2010	% Change
Raw materials consumed	12,002.97	9,507.04	(20.79)
Others	420.73	829.28	97.11
Warranty Provision/(written back)	-	4,579.27	-
Total	**12,423.70**	**14,915.59**	**20.06**

Raw materials consumed decreased by 20.79% from Rs. 12,002.97 lakhs in FY 2009 to Rs. 9,507.04 lakhs in FY 2010. As a percentage of total income, raw material consumed decreased from 61.56% in FY 2009 to 37.99% in FY 2010. Other manufacturing costs increased by 97.11% from Rs. 420.73 lakhs in FY 2009 to Rs. 829.28 lakhs in FY 2010. As a percentage of total income, other operating expenses increased from 2.16% in FY 2009 to 3.31% in FY 2010.

Staff costs: The following table sets out certain information relating to staff costs for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2009	FY 2010	% Change
Salaries, Wages & Bonus (Including Directors' Remuneration)	1,520.41	1,749.78	15.09
Contribution to:			
Provident fund and other funds	31.10	28.18	(9.39)
Gratuity and Leave encashment	27.96	9.48	(66.09)
Staff welfare expenses	47.43	23.14	(51.21)
Amortization of Deferred Stock Compensation	-	9.91	-
Total	**1,626.90**	**1,820.49**	**11.90**

Salaries, wages and bonus increased by 15.09% from Rs. 1,520.41 lakhs in FY 2009 to Rs. 1,749.78 lakhs in FY 2010. As a percentage of total income salaries, wages and bonus decreased from 7.80% in FY 2009 to 6.99% in FY 2010. Staff welfare, expenses decreased by 51.21% from Rs. 47.43 lakhs to Rs. 23.14 lakhs. As a percentage of total income staff, welfare expenses decreased from 0.24% in FY 2009 to 0.09% in FY 2010.

Administrative and selling expense: The following table sets out certain information relating to administrative overheads for the periods indicated:

(Rs. in lakhs, except percentages)

Particulars	FY 2009	FY 2010	% Change
Rent	135.74	207.34	52.75
Insurance	25.37	37.36	47.26
Rates and Taxes	85.71	44.27	(48.35)
Repairs and Maintenance	57.87	94.36	63.06
Research and Development	346.24	378.62	9.35
Travelling and Conveyance	204.36	218.31	6.83
Miscellaneous expenses	784.33	492.61	(37.19)
Brokerage and Commission	50.15	17.80	(64.51)
Exchange loss (Net)	279.42	118.83	(57.47)
Auditor’s Remuneration	5.40	11.04	104.44
Bad debt’s written off	414.62	25.01	(93.97)
Carriage Outwards	300.63	70.30	(76.62)
Preoperative expenses written off	2.20	0.05	(97.73)

Loss on sale of assets	14.56	7.34	(49.59)
Rebates and Discounts	-	899.63	-
Deferred revenue expenses written off	-	-	-
Total	**2,706.60**	**2,622.87**	**(3.09)**

The expenses on rent increased by 52.75% from Rs. 135.74 lakhs in FY 2009 to Rs. 207.34 lakhs in FY 2010. As a percentage of total income, the expenses on rent increased from 0.70% in FY 2009 to 0.82% in FY 2010. Research and development expenditure increased by 9.35% from Rs. 346.24 lakhs in FY 2009 to Rs. 378.62 lakhs in FY 2010. As a percentage of total income, research and development expenditure decreased from 1.78% in FY 2009 to 1.51% in FY 2010.

Financial overheads: The following table sets out certain information relating to financial overheads for the periods indicated

(Rs. in lakhs, except percentages)

Particulars	FY 2009	FY 2010	% Change
Interest on term loans, cash credit and others	688.43	911.94	32.47
Bank charges	146.57	148.94	1.62
Bill discounting charges	416.07	211.38	(49.20)
Total	**1,251.07**	**1,272.26**	**1.69**

Interest on term loans, cash credit and others loans increased by 32.47% from Rs. 688.43 lakhs in FY 2009 to Rs. 911.94 lakhs in FY 2010. As a percentage of total income, interest on term loans, cash credit and others increased from 3.53% in FY 2009 to 3.63% in FY 2010. Bill discounting charges decreased by 49.20% from Rs. 416.07 lakhs in FY 2009 to Rs. 211.38 lakhs in FY 2010. As a percentage of total income, bill discounting charges decreased from 2.13% in FY 2009 to 0.84% in FY 2010.

Depreciation: Depreciation increased by 161.36% from Rs. 228.59 lakhs in FY 2009 to Rs. 597.45 lakhs in FY 2010. As a percentage of total income depreciation increased from 1.17% in FY 2009 to 2.38% in FY 2010.

Profit before Tax

As a result of the foregoing, profit before tax increased by 207.65% from Rs. 1,262.62 lakhs in FY 2009 to Rs. 3,884.44 lakhs in FY 2010. As a percentage of total income, profit before tax increased from 6.48% in FY 2009 to 15.49% in FY 2010.

Tax

Our tax expense increased by 211.16% from Rs. 419.92 lakhs in FY 2009 to Rs. 1,306.62 lakhs in FY 2010. As a percentage of total income, tax expense increased from 2.15% in FY 2009 to 5.21% in FY 2010.

Profit after Tax

As a result of the foregoing, our profit after tax increased by 185.21% from Rs. 903.82 lakhs in FY 2009 to Rs. 2,577 lakhs in FY 2010. As a percentage of total income, profit after tax increased from 4.64% in FY 2009 to 10.28% in FY 2010.

Liquidity and Capital Resources

Our short term and long term liquidity needs have been to finance our operations, working capital needs, debt service and capital expenditures. We have historically met our liquidity needs through a combination of borrowings, capital raising and internally generated cash flows.

We have accounts receivable collection cycle that typically varies between 90 days and 120 days, and an accounts payable collection cycle that typically varies between 60 days and 90 days.

The following table summarises our cash flows for the periods indicated:

(Rs.in lakhs)

Particulars	FY 2011	FY 2010	FY 2009
Net cash flows from operating activities	456.49	(6,674.43)	4,532.85
Net cash flows used in investing activities	(3,538.14)	(5,789.86)	(3,879.92)
Net cash flows from financing activities	2,645.38	12,220.61	(1,991.17)
Net changes in cash and cash equivalents	(436.27)	(243.68)	(1,338.24)

Net cash flows from operating activities

In FY 2011, our net cash flow from operating activities was Rs. 456.49 lakhs, consisting of operating profit before working capital changes of Rs. 5,611.86 lakhs, working capital changes of Rs. (4,419.70) lakhs and taxes paid of Rs. 735.67 lakhs. Working capital changes comprise decrease in trade payables by Rs.350.09 lakhs from Rs. 800.60 lakhs in FY 2010 to Rs. 450.51 lakhs in FY 2011and an increase in inventories of Rs. 953.00 lakhs from Rs. 2,295.15 lakhs in FY 2010 to Rs. 3,248.15 lakhs in FY 2011. Our debts decreased by Rs. 7094.88 lakhs during FY 2011 from Rs. 5,962.99 lakhs in FY 2010 to Rs. 1,131.89 lakhs in FY 2011. Loans and advances increased by Rs. 4,284.07 lakhs during FY 2011 from Rs. 6,137.00 lakhs in FY 2010 to Rs. 1,852.93 lakhs in FY 2011.

In FY 2010, our net cash flow from operating activities was Rs. (6,674.43) lakhs, consisting of operating profit before working capital changes of Rs. 8,582.09 lakhs, working capital changes of Rs. (15,195.74) lakhs and taxes paid of Rs. 60.78 lakhs. Working capital changes comprise a decrease in trade payables of Rs. 3,148 lakhs from Rs. 2,348.08 lakhs in FY 2009 to Rs. 800.60 lakhs in FY 2010 and an increase in inventories of Rs. 1,969.91 lakhs from Rs. 325.24 lakhs in FY 2009 to Rs. 2,295.15 lakhs in FY 2010. Our debts increased by Rs. 6,290.70 lakhs during FY 2010 from Rs. 327.71 lakhs in FY 2009 to Rs. 5,962.99 lakhs in FY 2010. Loans and advances increased by Rs. 5,721.26 during FY 2010 from Rs. 415.74 lakhs in FY 2009 to Rs. 6,137.00 lakhs in FY 2010.

In FY 2009, our net cash flow used in operating activities was Rs. 4,532.85 lakhs, consisting of operating profit before working capital changes of Rs. 2,875.47 lakhs, working capital changes of Rs. 1,934.81 lakhs and taxes paid of Rs. 277.43 lakhs.

Net cash flows used in investing activities

Our net cash flow used in investing activities was Rs. 3,538.14 lakhs in FY 2011, Rs. 5,789.86 lakhs in FY 2010 and Rs. 3,879.92 lakhs in FY 2009.

Net cash flows from financing activities

Our net cash flow from financing activities was Rs. 2,645.38 lakhs in the FY 2011, Rs. 12,220 lakhs in FY 2010 and Rs. (1,991.17) lakhs in FY 2009.

Indebtedness

Our borrowings are denominated in Rupees. Our aggregate indebtedness amounted to Rs. 1574.02 lakhs as of March 31, 2011, Rs. 17296.99 lakhs as of March 31, 2010 and Rs. 7,378.86 lakhs as of March 31, 2009. As of March 31, 2011, our indebtedness comprises of both secured and unsecured loans.

*For further details see the sections titled "**Capitalisation**"; and "**Risk Factors—Internal Risks—our indebtedness could adversely affect our financial condition and results of operations**" for a discussion of certain restrictive covenants that bind us.*

Anticipated Sources of Funds

We had cash and cash equivalents of Rs. 756.35 lakhs as of March 31, 2011, as compared to Rs. 1,192.62 lakhs as of March 31, 2010 and Rs. 1,436.30 lakhs as of March 31, 2009. Although we intend to fund our future development and debt servicing from existing financial resources, internally generated cash flows and borrowings from banks, we may raise additional funds through debt or equity offerings or the sale of Equity Shares in the future to finance all or a portion of our future development, for debt servicing or for other purposes.

Contingent Liabilities

The following table sets forth our contingent liabilities not provided for, as of the dates indicated:

(in Rs.)

	Particulars	2011	2010	2009
i	Estimated amount of contracts remaining to be executed on capital account.	NIL	4,48,50,000	NIL
ii	Claims against the Company not acknowledged as a debt	3,10,33,073 CAD 75,500	2,45,40,216	32,32,200
iii	On account of excise matters	48,80,49,175	29,89,60,660	NIL
iv	On account of sales tax	63,22,513	63,22,513	NIL
v.	On account of income tax	22,29,133	1,00,60,000	1,00,60,000
vi	Guarantees issued by bankers on behalf	96,82,133	5,47,30,941	4,49,09,466

(i) M/s. Mahanagar Telephone Nigam Limited and M/s Bharat Sanchar Nigam Limited had invoked bank guarantees totaling to Rs. 4,41,000 and Rs. 7,55,081 respectively, against which the Company has filed cases against such invoking of bank guarantees and is advised that the matter will be resolved in favour of the Company in respect of the said amount and hence no provision is made in the books of account.

*(ii) In the matter of dispute with M/s Bharat Sanchar Nigam Limited ("**BSNL**"), the Honourable High Court of Karnataka at Bangalore has referred the matter to the arbitrator to be appointed by BSNL, against invoking of bank guarantee of a sum of Rs. 22,70,000.*

(iii) There is a claim against the property owned by our Company in Bangalore.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses. We have not entered into hedging transactions for the purpose of minimising our exposure to interest rate and exchange rate risks.

Other matters

Unusual or infrequent events and transactions

Other than as described in this Preliminary Placement Document, particularly in the section titled *"**Risk Factors**"*, to our knowledge there are no events that may be described as unusual or infrequent events and transactions.

Significant economic / regulatory changes

Other than as described in this Preliminary Placement Document, particularly in the sections titled *"**Risk Factors**", "**Business**"* "***Regulation and Policies***" and "***Management's Discussion and Analysis of Financial Condition and***

Results of Operations", to our knowledge there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than as described in this Preliminary Placement Document, particularly in the sections titled "***Risk Factors***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***", to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and income

Other than as described in this Preliminary Placement Document, particularly in the sections titled "***Risk Factors***", "***Business***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of our Company, taken as a whole.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Our major growth in sales is dependent upon increase in the number of contracts entered into by us and the number purchase orders received by us.

Total turnover of industry segment in which we operate

We are primarily engaged in wireless subsystem products manufacturing segment. However, we do not have any authorized published industry data about total turnover of the industry.

New product or business segment

Other than as described above, or anywhere else in this Preliminary Placement Document, particularly in the sections titled "***Business***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***", to our knowledge there are no new business segments or material new products planned.

Seasonality of Business

Our business is not seasonal in nature.

Significant dependence on a single product or few suppliers or customers

Other than as described in this Preliminary Placement Document, particularly in the section titled "***Risk Factors***", to our knowledge we do not have dependence on any single product, any single customer or any single supplier.

Competitive conditions

We face competition in all our principal areas of business from Indian and foreign wireless subsystem products companies. For further details, refer to the sections titled "***Business - Competition***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" of this Preliminary Placement Document.

INDUSTRY

The information in this section has been extracted from the websites of various ministries and regulatory authorities and publicly available documents from various sources. The data may have been re-classified by us for the purpose of presentation. Neither we nor any other person connected with the Issue has independently verified the information provided in this section. Industry sources and publications, referred to in this section, generally state that the information contained therein has been obtained from sources generally believed to be reliable but 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.

Overview of the Indian Economy

The Indian economy has shown strong economic growth over the last few years. As per the economic survey for the financial year 2010-2011, the Indian economy is slated to grow at 8.6% in the current financial year and 9% in the next financial year. *(Source: India Economic Survey 2010-2011)*

The very rapid 8.9 % in GDP recorded in the first half of 2010-2011 raises the possibility of a faster recovery to the pre-crisis levels. Faster growth is expected to continue in the third and final quarters of the current financial year, as agriculture recovers sharply from last year's drought with ample countrywide average rainfall, much more remunerative prices to farmers, and a sharp rise in crop yields and as inflation starts to decline. Both, in turn, will boost demand in rural and urban areas and improve investor confidence. In light of the above factors, it is estimated that growth in 2010-11 will be 8.75±0.35 per cent. *(Source: Ministry of Finance, Department of Economic Affairs, Economic Division, Mid Year Analysis Report 2010 -2011).*

Moreover, economic growth is expected to continue into the immediate future with the International Monetary Fund ("**IMF**") estimating India's real GDP growth at 9.4% in 2010 and 8.4% in 2011 (*Source: IMF World Economic Outlook, July 2010*).

Overview of India's Telecom Industry

Growth of the telecom industry in India has few parallels in the world. The number of telephones has increased from 54.63 million as on March 31, 2003 to 621.28 million as on March 31, 2010. The number of wireless subscribers has increased from 13.3 million as on March 31, 2003 to 584.32 million as on March 31, 2010. (Source: *http://www.dot.gov.in/osp/Brochure/Brochure.htm*). As of May 2011, it has grown to be the world's second largest network with a subscriber base of over 874.68 million of which 840.28 million are mobile subscribers *(Source: TRAI press release dated July 7, 2011 hereinafter the "**TRAI - July press release**")*. India has the fourth largest telecom network after China, USA and Russia with the lowest tariff. (Source: *TRAI: A Journey Towards Excellence in Telecommunications, available at http://www.trai.gov.in/achievment.pdf*).

A combination of the following factors can be regarded as the major drivers of growth for the Indian telecom industry:

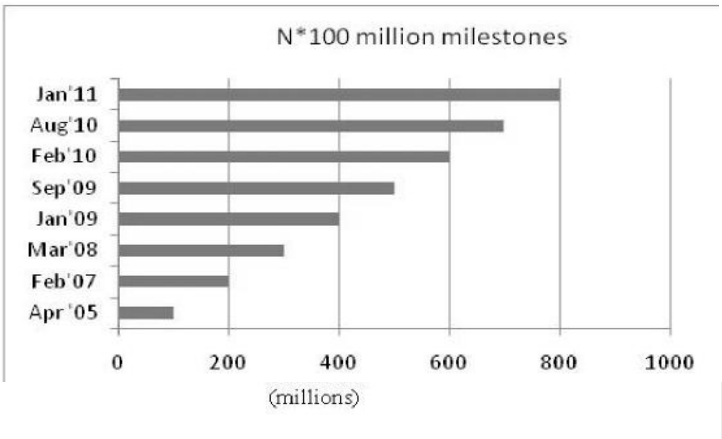
- growth of disposable income combined with changes in lifestyle;
- increasing affordability - low tariffs, easy payment plans and handset financing; and
- increased coverage and availability of mobile services.

(Source: *http://infrastructure.gov.in/telecom.htm#b2*)

The country is expected to reach a figure of 1 billion customers by the year 2014. As at date, policy initiatives and structures are required to be formulated and implemented by the regulator to successfully launch 3G and Broadband Wireless Access ("**BWA**") services which will take mobile and broadband to the next level for the end consumer. Mobile communication in future is not going to be limited between person to person but will extend to person to machine and machine to machine ("**M2M**"). Examples of applications for mass M2M include services such as smart power grid, smart metering, consumer products and health care. Number of devices to be connected on wireless platform is expected to be 50 billion globally by the year 2020. Assuming that the current growth rate continues, approximately 1.5 billion and 5 billion connections (including for devices) can be expected in India by the year 2015 and 2020 respectively. Maintaining such exponential growth in mobile both for personal and machine communication and meeting the latent demand for broadband access calls for creation of huge infrastructure requiring significant investment. *(Source: Recommendations on Telecommunications Infrastructure Policy, Telecom Regulatory Authority of India, dated April 12, 2011, hereinafter the "**TRAI Infra Policy**")*

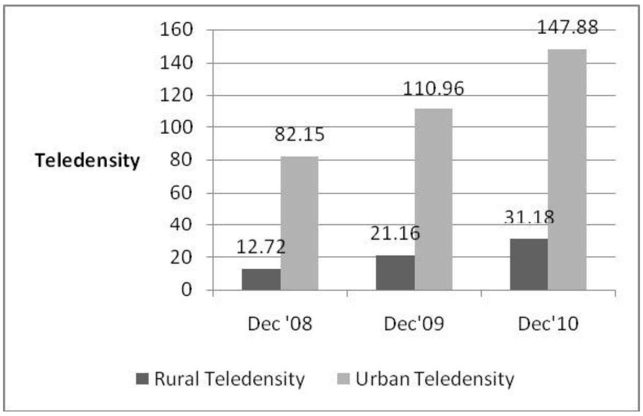
Growth of Telecom in India

The growth of the Indian telecom sector, in terms of the number of subscribers, has been particularly significant over the last 5 years. India reached the first one million mark 25 years after independence, 100 million in April 2005, 500 million in September 2009 and is set to surpass the 1 billion mark much before December 2014. The target of 600 million connections set by the planning commission by the end of XI five-year plan (March 2012) was achieved in February 2010 and that of 200 million in rural areas by March 2010. The milestones covered in terms of hundreds of millions of connections are given in Figure 1.8. With an average monthly addition of about 18.8 million subscribers during the last year, the number had crossed 840.28 million by the end of May 2011 *(Source: TRAI July press release)*. India surpassed the number of connections in US in March 2008 and has grown to be the world's second largest market after China. *(Source: Recommendations on Telecommunications Equipment Manufacturing Policy, Telecom Regulatory Authority of India, dated April 12, 2011 hereinafter the "**TRAI Manufacturing Policy**").* The table below shows the expansion in the number of wireless subscribers in India.



Source: TRAI Manufacturing Policy

While the growth in voice communications continues, specially on the mobile networks, Internet and broadband access are becoming essential, since many of the most effective applications and services which help foster development, and notably those related to telemedicine, e-commerce, e-banking and e-government, are only available through a high-speed Internet connection . Broadband-based applications have a far greater impact on people, society and businesses. Despite the known benefits of broadband, the growth has so far been modest and the number of broadband connections stood at 12.12 million at the end of May 2011 *(Source: TRAI - July press release)*. The net broadband addition per month is just 0.2 to 0.3 million in contrast to around 18 million mobile connections per month. There were about 1.8 million data card subscribers at the end of September 2010 whose advertised speed is upto 3.1 Mbps. The availability of 3G and Broadband Wireless Access (BWA) technologies augur well for the growth of broadband. In December 2010, the TRAI had recommended the establishment of a fiber optic network in the urban areas as well as in all habitations with population of more than 500. These developments should lead to further investments in the wireline and wireless broadband networks. *(Source: TRAI Manufacturing Policy)*



Source: TRAI Manufacturing Policy

Demand for Telecom Equipment in India

According to TRAI, the demand for network equipment, which was so far largely driven by voice, is likely to undergo a significant change with the introduction of 3G services and the likely spread of broadband. India is expected to have a cumulative CapEx spend of about USD 121 billion in the next 5 years. As compared to this, the global capital expenditure of all telecom operators was $277 billion just for the calendar year 2010 and the industry generated over $1.8 trillion in revenues through wireline and wireless services. According to the data submitted by the service providers, the adjusted gross revenue of the service providers in the year 2009-10 was of the order of Rs. 1,16,803 crore and the net block was Rs. 2,25,610 crore. At the current growth rate, the net block is expected to grow to Rs 4,96,182 Crores in the year 2014-15 which gives an indication that the capital investment made by the service providers in these 5 years would be of the order of Rs 2,70,572 Crores (about USD 60 billion). This indicates continued demand for telecom equipments in India. *(Source: TRAI Manufacturing Policy)*

The growth rate targeted for the manufacturing sector in the XI Five-year Plan formulated by the Planning Commission of India, which covers the period from 2007-2012 (the "**XI Plan**"), is 12%. The requirement of telecom equipment during XI Plan is expected to be worth US$ 67 billion, considering 75% of the Indian demand of telecom equipment and handsets worth USD 73 billion would be met through indigenous manufacturing besides an export potential of USD 12 billion.

The details of the domestic requirement of telecom products, as projected in the XI Plan are given in the table below:

Domestic Requirement of telecom products

	Year 1 (million USD)	Year 2 (million USD)	Year 3 (million USD)	Year 4 (million USD)	Year 5 (million USD)	Total (million USD)
Wireline telephone						
CPE	30	40	50	60	70	250
Active Infrastructure	300	400	500	600	700	2,500
Mobile telephone						
Handset (New connection)	2,800	3,200	3,600	3,800	3,800	17,200
Handset (Replacement)	2,000	2,800	3,600	4,800	6,000	7,200
Active Infrastructure	2,250	2,550	2,850	3,000	3,000	13,650
Wireline broadband						
CPE (Modems)	2,100	2,100	2,400	2,700	2,700	12,000
Active Infrastructure	1,400	1,400	1,600	1,800	1,800	8,000
Wireless broadband						
PC Card	300	450	600	750	900	3,000
Active Infrastructure	500	750	1,000	1,250	1,500	5,000

Optical Fiber Cable	120	140	160	180	200	800
E-governance initiatives						
Defense telecom	400	400	600	800	1,000	3,200
Total requirement	12,200	14,300	16,960	19,740	21,670	72,800

Source: TRAI Manufacturing Policy

Demand for Backhaul and Transmission Equipment

Back and transmission networks are important both for wireless as well as fiber-optic network. The demand for these equipments was Rs 4,371crore in 2009-10 which is projected to grow to Rs 10,960 crore in 2019-20. The details of the demand are provided in the table below. *(Source: TRAI Manufacturing Policy)*

Backhaul and Transmission	2009-10	2010-11	2015-16	2019-20
Fiber/Optical				
Optical	3,960	3,886	5,811	7,922
SDH	2,632	2,635	3,188	3,588
DWDM	860	854	1,973	3,488
POTP (incl. within SDH, DWDM, DXC)	380	557	2,746	6,677
DXC	307	223	330	343
Submarine Systems (incl. Repeaters)	161	174	320	503
Microwave Backhaul	887	1,426	2,724	3,989
PDH/SDH Microwave	710	1,140	136	80
Ethernet Microwave	177	285	2,588	3,909
Total	**4,372**	**4,846**	**7,838**	**10,960**

Demand for Wireless Equipment

In India, the demand for wireless equipment was Rs 14,146 crores which is likely to grow to Rs 26,444 crores by 2015-16 and Rs 44,428 Crores by 2020. In this growth, the 2G demand will decline in the long term while 3G will be predominant in medium term i.e. around 2015-16. In the longer term, the demand for 4G equipment like LTE and WiMAX would be the maximum among all cellular technologies. The table below gives the current market and future demand for wireless products. *(Source: TRAI Manufacturing Policy)*

(*Rs in crores*)

Wireless Equipment Demand	2009-10	2010-11	2015-16	2019-20
Wireless Equipment	14,146	12,637	26,444	44,428
2G Wireless	14,146	3,724	2,532	-
BTS/Antenna	5,658	1,489	1,013	-
BSC	5,093	1,341	911	-
MSC/GMSC/HLR/VLR/EIR	3,395	894	608	-
3G Wireless	-	8,689	10,127	2,646
NodeB	-	3,475	4,051	1,058
RNC	-	3,128	3,646	952
GGSN/SGSN	-	2,085	2,431	635
LTE/Mobile WiMAX/5G	-	-	12,659	23,810
eNodeB	-	-	7,596	14,286
MME/SGW/PDG/SAE	-	-	5,064	9,524
FAP	-	225	1,125	2,799
Handsets	23,760	26,136	38,402	61,310
Total	**37,906**	**38,773**	**64,846**	**1,05,738**

(Source: TRAI Manufacturing Policy)

Overview of the Global Telecom Industry

Most of 2010's mobile growth was in Asia-Pacific, which saw the number of mobile cellular subscriptions grow by 490 million (of 630 million globally), to reach 2.6 billion. Asia-Pacific now has over half the world's mobile cellular subscriptions (Source: http://www.itu.int/net/pressoffice/stats/2011/02/index.aspx). The rapid growth in the subscriber base on the wireless platform is because of the multiplicity in the end uses. The wireless platform is being increasingly used to provide a host of new applications like mobile-banking, data transfer, accessing social networking sites, gaming, mobile TV etc. The overall mobile data traffic is expected to grow to 6.3 exabytes[1] per month by 2015, a 26-fold increase over 2010. *(Source: TRAI Infra Policy)*

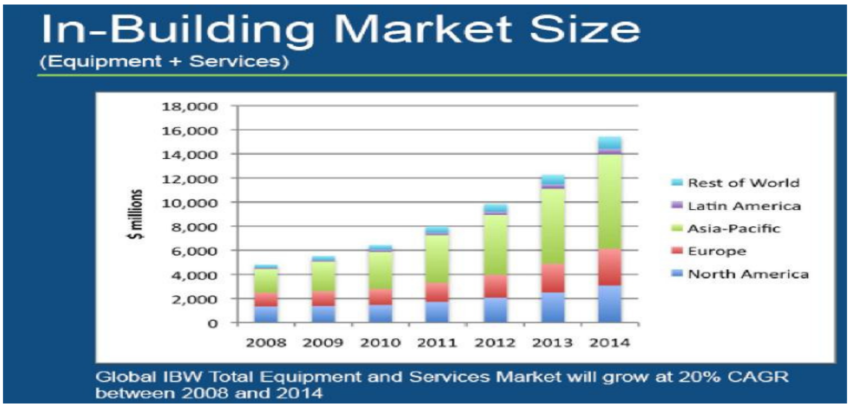
According to IDATE Consulting and Research, the world telecom market would grow to Rs 6, 19,284 crores by end of 2013 out of which the mobile access market (excluding handsets) would be Rs 1, 74,264 crores. *(Source: TRAI Manufacturing Policy)*

Production Trends

In-Building Services

On account of 3G and BWA service launches, India is also poised to see rapid growth in data services. This has resulted in, on the one hand, an increased demand on the already scarce spectrum and, on the other hand, an enhanced requirement of provision of seamless services anytime and anywhere, especially inside the buildings. The service providers are required to augment their network coverage inside the buildings to provide low latency and high speed network services.

Till a few years ago, most of the service providers were providing the mobile services mainly by installing macro cells mounted on mobile towers. However, with the increase in the usage of both voice and data services, the macro cells are not adequate to provide seamless and good quality of service inside the building. Additionally, because of signal loss inside the buildings, these macro cells need to radiate at higher power from outside the building, which results in smaller cell size and inter cell interference. In building solutions like IBS and DAS are the solutions to overcome the problem and also to ensure that the spectrum is utilized efficiently.
(Source: TRAI Infra Policy)



Source: TRAI Infra Policy

Defense Communication

In the union budget for FY 2011-12, a provision of Rs. 1,64,415 crore has been made for defence services which includes Rs. 69,199 crore for capital expenditure. (Source: *Budget 2011 – 12, available at* http://indiabudget.nic.in/ub2011-12/bs/bs.pdf). According to the latest Ministry of Defence annual report, procurement of state-of-the-art communication equipment and systems has brought about substantial qualitative improvements in the communication capability of the Army. Some of the major procurements are: RS HX long-range

[1] Exabyte = 10^{18} bytes

frequency-hopping high frequency radio sets, Hand-Held Walkie-Talkie Radio Sets, Interception Receiver AR 5000, Radio Set 5 Watt/20 Watt VHF, and Radio Set 5 Watt/50Watt VHF for Armoured Fighting Vehicles. A countrywide-secured value-added backbone data network is also being established connecting the important formation headquarters of the army. *(Source: Annual Report, Ministry of Defence 2004-2005)*

According to a Ministry of Defence report, various state-of-the-art communication networks like Integrated Air Command, Control and Communication System (IACCCS), Aerostat, Unmanned Aerial Vehicle (UAV), Prithvi Tactical Air Centre (TAC) / Joint Air Defence Centre (JADC) / Delhi Area Defence Centre (DADC) / Control and Reporting Centre (CRC) etc. are being planned using Fibre Optic Media (FOMedia), satellite and microwaves system for effective and efficient integration of Air Defence Operation Elements like fighter aircraft squadrons, radars, Command Headquarters etc. Also the existing Air Defence Ground Environment System (ADGES) communications network is being modernized with Asynchronous Transfer Mode (ATM) technology using Fibre Optic Media. State-of-the-art radar and communication systems such as Aerostar, Low Level Light Weight Radars (LLLWR) etc are under various stages of induction to provide effective Air Defence against enemy attack. *(Source: Annual Report, Ministry of Defence 2004-2005)*

Telecom Manufacturing Industry in India: Strengths

As per TRAI, the major strengths of the telecom manufacturing sector in India are as follows:

- Large domestic demand for telecom services forebodes great potential for domestic manufacturing, given the right environment. Growth of telecom services in India, as described in the earlier, has created a demand supply gap for telecom equipment. During the year 2009-10, only about 12.5% of the demand was met by domestic production. With the growth in demand expected to be about 12-13% annually, this gap would only increase if no proactive action is taken to close it.

- A pool of highly skilled manpower and experienced technical people to work in production and R&D areas. Students graduating from higher institutes of learning and also from Industrial Training Institutes can be trained for jobs specific to telecommunication equipment and component manufacturing. For higher technical learning there are ten Indian Institutes of Technology, four Indian Institutes of Information Technology, 27 National Institutes of Technologies besides other government and private engineering colleges. Besides these, Government of India has made considerable investment in skills development of young people through public Industrial Training Institutes (ITIs) and in addition there are privately funded Industrial Training Centres (ITCs). India generates about 10 lakhs skilled manpower annually for various industrial activities. Today India has more than 4465 (1733 in Government sector and remaining in private) ITIs with a total capacity of 6.51 lakhs training seats.

- Liberalization of Foreign Direct Investment flowing into the country. Telecommunications is a capital intensive industry, and access to capital is the key to ensuring the deployment and expansion of a robust network. Investments have been forthcoming since liberalization. Foreign Direct Investment has typically been the driver of telecom sector growth in liberalising economies. Foreign direct investment in telecom infrastructure brings more than hard currency. Companies investing in telecom bring with them new technologies, business processes and methods and global brands. In the Indian telecom sector, composite Foreign Direct Investment (Direct + Indirect) of 74% is the sectoral cap. There is 100% Foreign Direct Investment in some areas like provision of infrastructure and ISPs without gateways. FDI in telecom equipment was Rs 33,957 crores till 2007-08 and was Rs 5085 cores in the year 2009-10 alone.

- Growing semiconductor chip design capabilities. India has been traditionally acknowledged as software superpower and is now exhibiting competency in the chip design industry. A number of big names in semiconductor manufacture are outsourcing their design work to India. There are over 130 chip design firms present in India and the vast pool of talent and growing domestic market has helped the country emerge as an important centre for chip design. This booming semiconductor design industry promises 3.5 million jobs by 2015, according to a report by the Indian Semiconductor Association (ISA).
  (Source: TRAI Manufacturing Policy)

Telecom Manufacturing Industry in India: Challenges Ahead

Search for new cost effective ways to roll out networks both in urban and rural sector, connectivity of networks and cost of bandwidth, convergence of technologies, management of spectrum in a multi user and multi usage scenario would be the key challenges in telecom manufacturing which need to be addressed.

Critical factors for future growth would include opportunities in rural areas, bringing down operators CapEx and OpEx, rational policy for spectrum allocation, enhancing skill sets and impact of global economic slowdown.

BUSINESS

Overview

We are manufacturers and exporters of wireless subsystem products such as RF products and antennas, providing end to end wireless solutions. We provide total turnkey solutions for coverage and capacity enhancement requirements for telecom applications in India and abroad and customized products for defense and space applications in India. In addition to manufacturing and supply of products, we also provide IBS for communication signal and capacity enhancement requirement for cellular operators in large buildings like malls, hotels, hospitals and commercial buildings. Our Company has a manufacturing facility of 1,32,861.96 square feet for manufacturing wireless subsystem products at our Jigani Facility. From our facility we offer design, manufacturing, assembly and testing of high-performance wireless subsystem products.

Our Company started its operations in 1996 by taking over the business of a proprietary concern KMC as a going concern. KMC was engaged in the business of manufacturing professional grade microwave components and had a separate R &D division in Bangalore to develop new products to cater to evolving trends of the wireless telecom market. We started manufacturing products such as Duplex Filters and presently, the range of products manufactured and supplied by us include Isolators, Circulators, Power Combiners, Low Noise Amplifiers and Attenuators etc. We manufacture and supply products to provide total turnkey solutions for coverage and capacity enhancement requirements for cellular operators covering CDMA, GSM, DCS and UMTS technologies in India, and outside India and for defense and space organisations in India. We also provide IBS on turnkey basis, both in CapEx and OpEx model. Under the CapEx model, we supply the material, execute the project and hand over the same to the customer. Under the OpEx model we act as a neutral host provider to multiple operators on BOL or BOO basis. Our Subsidiary, KTIL was incorporated to meet the growing demands for IBS, providing value addition to the markets of the cellular operators.

In 2003, Megasonic Telecoms Private Limited amalgamated with our Company with an aim to combine the strengths of both the companies. We also provide intelligent indoor coverage solutions for the mobile communications industry. As a step towards our inorganic growth plans, we acquired a division of Wi-Lan Inc., purchased assets of Spotwave Wireless Inc. and Spotwave Wireless Canada Inc. and acquired DDCI and TSII which increased our product portfolio, technology, intellectual property and widened our customer base and provided an opening in the North American markets. We have incorporated KTPUL, for us to be able to market our products in Europe, enhancing our global presence. We manufacture some of the products for which orders are placed with our Subsidiaries in Canada, in our Jigani Facility. The same is either supplied directly to the customer or is supplied to the Subsidiary receiving the work order.

In the domestic market our customers are primarily cellular operators such as Aircel Limited , Tata Teleservices Limited, etc., OEMs, defense and space organisations. Our wireless subsystem products are primarily exported to North America and Europe where we have been able to attract and retain leading names in both of the wireless communication products and IBS space, as our customers. Our customers are primarily telecom companies, OEMs, airports and radio channels in their country.

Our total consolidated income for FY 2009, 2010 and 2011 was Rs. 19,499.48 lakhs, Rs. 25,072.18 lakhs and Rs. 35, 175.15 lakhs, respectively. Our profit after tax for the same periods was Rs. 903.82 lakhs, Rs. 2,577.82 lakhs and Rs. 3,931.28 lakhs, respectively.

Key Milestones of our Company

Year	Event
1996-1997	• Completion of initial public issue of 31,00,000 Equity Shares, and listing of the same on BgSE, Ahmedabad and Madras Stock Exchange. • Recognition of our R & D centre by the Ministry of Science and Technology.
1997-1998	• KPMG awarded our Company ISO 9001 quality registrar for RF modules, Antennae system and MARR systems respectively.
1999-2000	• Development of new technology for manufacture of High Bit Rate Digital Subscriber Line Equipment.
2003-2004	• Approval of the scheme of amalgamation with Megasonic Telecoms Private Limited effective from July 1, 2003 against purchase consideration of 47 equity shares of Rs. 10 each of Kavveri Telecom Products Limited for every 2 equity shares held in Megasonic Telecoms Private Limited.
2005-2006	• Incorporation of our Subsidiary, KTI.
2007-2008	• Approval for Employee Stock Option Scheme-2008 (“**Kavveri ESOS-2008**”) • Listing of Equity Shares on NSE from January 28, 2008 • Acquisition of DDCI by KTI, making it a wholly owned Subsidiary.
2008-09	• Delisting of shares from Ahmedabad Stock Exchange with effect from March 27, 2008 • Incorporation of Subsidiary in India, KTIL • Delisting of shares from Madras Stock exchange with effect from October 15, 2008.
2009-10	• Acquisition of majority shareholding of TSII by KTI, making it a Subsidiary • Best Small & Medium Enterprises Innovator of the year was awarded to the Company by Yes Bank Limited.
2010-11	• Ranked No. 22 in Businessworld in “India's Fastest Growing Companies”

Our Competitive Strengths

Strong Customer Relationships

We believe we have a strong relationship with our customers that include cellular operators, OEMs, system integrators and distributors both in the domestic as well as the international markets for RF products, antennas and IBS. We serve clients across India, North America and Europe. We are in the business of providing customized wireless subsystem products to our customers. Through our product differentiation, we try to provide goods as per the specifications provided by our customers. Our major competitors are based both in India and outside India. Our long standing presence and experience in the industry coupled with our varied product and service range enables us to enjoy a competitive advantage vis-à-vis our competitors in terms of customization of products, pricing, lead time and after sales service. We believe that due to our customized products, high quality standards and effective after sales service, we enjoy repeated orders and have an established customer base and have also managed to add new customers to our customer base.

Comprehensive Range of Products Offering

We offer a wide range of wireless subsystem products including TMAs, TMBs, Repeaters, Base Staion antennas, Power Splitters, Diplexers, Duplexers, Filters, Channelisers, Beam Switching antennas, L- band receiver and products for IBS. Our range of products for wireless subsystem and IBS allows our customers to source their requirements from us. Our marketing team works closely with our customers to provide customised products which are duly compliant with their requirements. We believe, this aspect of our business provides more comfort to our customers by helping them save time and resources required for dealing with multiple vendors and thus enable us to attract a larger customer base.

In-house Research and Development Team

Our R&D team of 35 members is robust and well layered with systems and processes to maintain the standards in innovation and development. Our Company's in-house R&D centre has been recognised by the Ministry of Science and Technology since 1996. We continue to invest in the research and development of wireless subsystem products and diversification of our product offerings and have one of the industry's leading product portfolios in terms of performance and features. During the year 2010-2011, our R&D team developed various products including Twin Tower Mounted Amplifier, Phased Array Antenna, GSM 1800 12 dBi Yagi antenna etc. for various agencies. Our R&D team is headed by Director (R&D), Mr. L. Nicholas who has previously served with the R&D team at Indian Space Research Organisation, wherein his area of focus was RF products and antennas. To ensure that the quality of our products meets international standards, we have invested on procuring latest technology tools in design, development and testing. Our Company's R&D capabilities and understanding of demands of the telecom, defence and space industry have resulted in early stage development work with various global telecom, defense and space companies with the intention of procuring long term manufacturing contract and capitalising on potential outsourcing of wireless subsystem products. Our R&D team periodically releases new and improvised products both in the terms of design and costing, giving us an advantage in comparison to our competitors. In our opinion, our emphasis on R&D has resulted in our clients finding products meeting their standards and our innovation practical and effective.

Established network and respected brand

In the domestic market our products are sold and marketed all over India. Our Company's focus on quality products has enabled us to become one of the leading vendors for CDMA, GSM and UMTS service providers as well as OEMs across India. We also export our products primarily to North America and Europe where we have been able to attract and retain leading names in telecom product space, as our customers. Our presence in Canada and United Kingdom, allows us to access markets in North America and Europe. We believe that our strong brand recognition in the jurisdictions we do business, allows us to continue to increase our customer base by attracting new customers.

Cost efficient production

Our Company has a manufacturing unit of 1,32,861.96 square feet area for manufacturing RF products and antennas at our Jigani Facility. We have advanced facilities at our manufacturing facility and R&D centre such as Automated Test Equipment like vector & scalar network analyzers, spectrum analyzers, signal generators, radio communication test sets, anechoic chamber for antenna testing, Satimo star labs for Base Staion antennas testing, PIM analyzers, reliability & environmental test equipment and many more facilities. We believe that we provide competitively priced products through cost efficient production and with the highest quality standards which enables us to receive new business from our existing customers and from new customers. We believe that our constant work towards making our designs easier for us to manufacture, improves reliability, quality and cost resulting in an increase in our customer base.

Strategies

Pursue strategic acquisitions and relations in India and abroad.

Our acquisitions of businesses in the past, like TTI, have benefitted us by expanding our product portfolio and increasing our customer base by widening our geographical reach. In order to expand, we continually seek to identify acquisition targets and/or joint venture or strategic partners whose resources, capabilities, technologies and strategies are complementary to and are likely to enhance our product offering and business operations. We intend to focus on strategic acquisitions that are of appropriate size with minimal risk of integration into our existing operations. This competitive advantage, in our opinion, will enable us to capitalize the huge growth opportunity in the area of wireless subsystem products and IBS and increase our global presence.

Continue to expand our product portfolio, geographies and invest in product development.

Our markets present a diverse customer base and we intend to develop such RF products and antennas that target specific customer segments. We intend to capitalize on our market position in the telecom equipment manufacturing industry to increase our presence in other such similar industries. With our position in the markets that we serve, we intend to explore the markets in other geographies in the wireless industry. In addition, we plan to invest in our research and development capabilities, through strategic recruitment, adding new facilities and the acquisition of technology.

Further developing the new business segments

We intend to expand our product offerings to further penetrate the defense and space segments, which typically command better margins among all industry segments. We seek to achieve this through increased emphasis on serving new niches in the defense & space applications through development of varied key wireless subsystem products. We intend to capitalize on our long drawn experience in developing customized wireless subsystem products for the same.

Establishing our India operations as a leading destination for contract manufacturing of wireless subsystem products

We intend to capitalise on the competitive advantage of India in terms of competitive labour costs and have already initiated measures to make our manufacturing facility in India as a global hub of manufacturing for wireless subsystem products. As a part of this process, we have moved some of the manufacturing of products from our subsidiaries outside India to our Jigani Facility and have also received orders for contract manufacturing from customers outside India. Manufacturing in India provides us with a dual advantage, of low cost manufacturing and higher sale price of the products in overseas markets. We intend to capitalise on our ability to manufacture quality products for contract manufacturing for wireless subsystem products.

Further develop the OpEx model of In Building Solutions

We have established ourselves as a neutral host provider for IBS. We have acquired the right of way for numerous hospitals, hotels, malls and commercial buildings to act as a neutral host for providing IBS within the premises. We intend to capitalise our position as an established neutral host and further expand our OpEx model of providing IBS.

Facilities

Our Company has the following facilities:

S. No.	Unit	Location
1.	Manufacturing facility of 1,32,861.96 square feet	Jigani, Surajakkanahalli Village, Kasaba Hobli, Anekal Taluk, Bangalore
2.	R&D Centre	Registered Office

We invest in our R&D team for diversification of products to suit each of our customers' needs. Our R&D centre has various design tools such as CST Microwave Studio, Agilent ADS, Wipl-D, Solidworks, Edwin XP2000, Autodesk and Autocad. The proprietary design technology is a further differentiator for our Company's products. Our manufacturing facility has advanced equipments and tools such as, anechoic chamber, Satimo star labs, PIM equipment, environment chamber, vibration test table, RF communication test set, machine shop, milling machine, drilling machine, cable cutting and stripping machine, welding machine, temperature control soldering stations, network analyzers, signal generator, spectrum analysers and many more. These facilities are instrumental for cost efficient ways of production.

Core Process

Our core process involves understanding the needs of our customers and providing them with a product suiting their requirements.

The core process comprises of: -

CORE PROCESSES

- Receiving Enquiry from Customer
- Customer Interaction
- Design & development of the product
- Production
- Packing
- Product Delivery
- After Sales & Service
- Customer Satisfaction

Receiving enquires from customers and customer interaction

Our marketing team generates enquiries from potential customers. Based on these enquiries, our R&D team approaches the customers through the marketing team and gathers detailed information regarding their requirements. Upon understanding their requirements, our R&D and marketing team then make an effort to convert these enquiries into work orders by providing customised solutions tailored to suit the requirements of the customer.

Design and development of the product

Based on the design and development of the product, we check for the viability of manufacturing the same. Our marketing department, then issues a work order to the Production Planning and Control ("**PPC**") department specifying the product details, quantity and time frame.

Production

On receipt of work order from marketing department, the PPC plans production and material schedule and releases the purchase request for purchase department to be enabled to procure the materials. Our material suppliers are selected based on financial, technical, capacity assessment and process audit. This includes the verification of their sources of supply and their client list. All material received from the suppliers undergo an incoming inspection based on incoming inspection plan. The accepted material is moved to stores with batch numbers and the rejected material is moved to rejected material area. An incoming material rejection report is generated indicating the discrepancies observed in the supply and the same shall be sent to the supplier to enable him to take suitable corrective action preventive action report ("**CAPA**"). A debit note shall be raised against the supplier to the extent of non conformity. As per the production plan, PPC will release material requisition to stores to release the material for production. The assembly is done by trained personnel who refer to detailed flow charts, assembly checklist, torque settings, work instructions and assembly drawings. Once the assembly is completed, the product undergoes a quality assurance ("**QA**") check, after which the finished product shall go for testing/ tuning. During the testing/ tuning the items shall be validated against the specifications as per test procedures and test results are recorded. After testing, the product is offered to the QA team for final inspection. Upon completion of the final inspection, a QA passed sticker is affixed on the product indicating conformance of the product. All manufactured products are assigned a batch number.

Packing and Product Delivery

The products with the QA passed sticker affixed on it are moved to packing stage for final packing and then moved to the finished goods stores. The products are dispatched after receiving a clearance from marketing and the finance department. The product is dispatched pursuant to the release from the QA team ensuring final conformance.

After sales & service and customer satisfaction

Our after sales management team take care of the product and service requirements of the customers. Our sales team ensures that the customers are satisfied with the product and the service provided by our Company.

Our Products

Our wireless subsystem product portfolio can be broadly divided into (i) RF Products and (ii) Antennas.

<u>RF Products</u>

RF products manufactured by us are mainly used in the telecom and defense and space industry. Our range of RF products includes TMA, TMB, Filters, Combiners, splitters, Couplers etc.

Repeaters are bi-directional amplifiers and are used for amplifying RF signals to desired level. The repeaters are used to enhance the CDMA, GSM and UMTS signals.

Tower Mount Amplifiers improves uplink sensitivity and receive performance of the base stations. TMA is used to improve RX sensitivity of radio base station.

Tower Mount Boosters are bi-directional amplifier systems that amplify both uplink and downlink signals and transmit the same. TMBs are used to amplify the RF signals to a desired level in areas with low traffic capacity requirements such as highway coverage, rural areas and intercity connections.

Combiners are microwave passive device and are used to combine multiple frequency signals. The main application of a combiner is in in-building solutions wherein it combines signals of various service providers.

Couplers are useful for monitoring and measuring power levels from antennas and different points in a communications system.

Band Pass Filters are used to pass the required frequency band and reject unwanted frequency.

Power Splitters are used to divide an incoming RF signal equally into output ports.

Diplexers and Triplexers are used to combine two or three different frequency signals respectively.

Antennas

The antennas manufactured by us are used in the communication systems by various telecom equipment manufacturers and service providers, space applications, defense applications, ground to air propagation systems and host of other applications. We manufacture a wide spectrum of antennas. Our antenna portfolio, amongst many others, includes Yagi antenna, Panel antenna, Omni antenna and Grid antenna.

Yagi antenna is an unidirectional antenna commonly used for point to point communication. Yagi antenna is used as transmit receive antenna for Repeaters.

Patch Panel antenna is a high performance directional antenna suitable for both indoor and outdoor applications and is used for in-building distribution of CDMA, GSM, DCS, PCS and UMTS signals.

Omni antenna is used for point to multipoint communication and is also used for in-building distribution of CDMA, GSM, DCS, PCS and UMTS signals.

Grid antenna is a high performance uni-directional antenna suitable for outdoor applications and is used for point to point communication.

Jammer antennas are mainly used in defense and VIP vehicles for jamming remotely operated communication signals.

Microwave antennas consists of reflector and a feed and is used for point to point communication.

Base station antenna is a high performance directional antenna suitable for outdoor applications.

Our R&D team develops new wireless subsystem products every year for various agencies. We have developed products for customers in North America and the same have been validated by our customers. We have also developed various wireless subsystem products for the defense and space segment. We have recently introduced new products such as polarised CPE Antennas for 4G technology for the North American market, satellite receiver for space applications and to be used for navigation of aircrafts, phase array antenna, Base Staion antennas – 17.5 dBi (4 port WiMAX), L-Band Receiver etc.

Application of our Products

Outdoor Wireless Network

We provide total solutions for coverage and capacity enhancement requirements for cellular operators covering CDMA, GSM, DCS and UMTS technologies in India and outside India. We are a single stop solution provider for the entire RF outdoor infrastructure requirement for the mobile service providers including supply of Base Station Antennas, Tower Mount Amplifiers, Tower Mount Boosters, Feeder Cable, Connectors, Jumpers, Filters, Combiners and other accessories to complete the RF chain from Base Station Antenna at the top of the telecom tower till the Base Station Radio equipment inside the shelter at the base of the tower. We specialise in manufacturing special Filters like Band Pass & Band Rejection used by operators for reducing the interference from unwanted signals. We supply special Duplex Filter systems used as part of the Base Station by the OEMs. We have contracts with leading OEMs to supply such products. For the Microwave Radios, we supply components known as Diplexers and Wave Guides. We are a leading manufacturer of filters in the industry with about two decades of experience in this field. Our products are used by the cellular industry for their network roll out for increasing their subscriber base and also for increasing subscriber revenues by maximising the existing capacity utilization of the operators.

We supply repeater based solutions for enhancing the cellular signal inside buildings. Our repeater solutions seamlessly bring the outdoor signal inside for medium and large sized enterprise facilities ensuring that mobile devices work reliably indoors. We have designed and developed polarised CPE antennas for 4G technology for North American markets. To add to our strengths, we have entered into strategic relationship with companies outside India, either to sell their products in India or utilize their special skills to manufacture such products in India for the domestic market. We believe we are a leading provider of intelligent indoor coverage solutions for the mobile communications industry. It has application in malls, hospitals, hotels etc. We are working directly with the mobile carriers to introduce innovative approaches that extend wireless coverage indoors while preserving network integrity. We have managed to establish ourselves as a major player in the in building solutions with leading telecom carriers.

In Building Solutions

We provide IBS on turn key basis on both CapEx and OpEx models. Under the CapEx model, we supply the material, execute the project and hand over the same to the customer. Under the OpEx model, we act as a neutral host provider to multiple operators, on a BOL or BOO basis. In the OpEx process, we acquire the right of way to the commercially viable building through a lease agreement, to install our equipment after designing and ascertaining key performance indicators required for the network. Upon setting up of the equipments, the operation and maintenance team steps in and maintains the network during the tenure of the project. The cellular operator then enters into a site sharing agreement with us, the terms and conditions of which are governed by the master site sharing agreement with the cellular operator. We take total responsibility for the entire project with our own investment and maintain the project during its tenure, which provides the operators a value addition to their existing markets, meeting the demand for IBS providing us with a steady flow of income.

Defense and Space

We design, develop, test & implement a diverse range of RF products, from concept to deployment. We combine expertise and experience to deliver state of the art products and solutions spanning the wide spectrum of RF products and antennas. Our decades of design & manufacturing experience and expertise have yielded a wide range of custom designs which can be used to deliver any specific requirement in short time for our customers. Our wide range of standard RF products includes Power Dividers, Splitters, Couplers, Hybrids, Filters and Diplexers, Isolators, Circulators, Pin Diode switches, Phase shifters, Programmable Attenuators, Amplifiers, Oscillators, Synthesizers with High Switching speed etc. up to 26 GHz. Our standard range of Antenna products include Cavity back Spiral Antennas, Omni directional Antennas, Wide band Horn Antennas etc. up to 18GHz. The products developed by us for the defense segment include switched bank filters, Band Pass Filters, RF distribution unit, Beam Switching antenna, tunable Band Pass Filters, Sleeve monopoles, Grid reflectors, GPS array antenna, Activity detector etc. With the expertise in hand, we have the capability to deliver systems / sub-system level requirements. We have successfully executed various sub-systems needs to the various defense labs & space centres. We have designed & delivered wireless subsystem products for the various satellite programs in India including satellite receivers for the purpose of aircraft navigation for a research institute. We also undertake job work for fabrication / testing of RF products and Antennas for the various design labs and production houses.

Contract Manufacturing

As a step towards manufacturing all our products in our manufacturing facility in India, we manufacture products for which the order has been placed with our Subsidiaries outside India and supply the same either directly or through our Subsidiaries. We have also, recently started manufacturing products on a contract manufacturing basis for other customers.

Quality Assurance

We have a very strict policy for QA and the QA process is associated with every stage of product realisation. Our quality management process has been assessed and registered by NQA for ISO 9001:2008. There is a QA process associated with vendor approval process and quarterly quality rating of vendors. Incoming materials are subjected to inspection based on an approved incoming inspection plan and reference drawings/documents. During the production phase, in process inspections are carried out to ensure that the product and process conforms to approved specifications/process. These inspections are based on, in process inspection plan, relevant drawings, flow diagrams, QA check list etc. Finished products are inspected for conformance to specification and aesthetic defects prior to packing. During dispatch, the invoice is verified against the product and upon satisfaction of the quality of the product; the product release form is issued.

Infrastructure Facilities for Raw Materials and Utilities

Raw Materials

At present, we use the following raw materials at our units:-

- Aluminium Sheets
- Aluminium Profiles
- Al Die casting Parts
- ABS Material
- RF Cables
- RF Connectors
- Copper Clad laminates
- Parts of Microwave components
- Combiners

The raw materials are procured from specified vendors in India, China, United States of America and Korea.

Existing Utilities

Power

In our manufacturing facility, we have a total sanctioned load of 300 KVA from Bangalore Electricity Supply Company Limited, of which the present minimum usage is of 125 KVA. We also have a back-up power of 180 KVA.

Effluent Treatment

Our Company’s manufacturing facility is energy efficient and environmental friendly. We have a sewage treatment plant; we do not discharge any effluents from our manufacturing process.

Employees

As on August 31, 2011, our Company had 132 employees on its roll. In addition to salary and allowances, we provide benefits to our employees, such as gratuity, provident fund and employee state insurance. We also have an employee stock option scheme, Kavveri ESOS 2008 in place for our employees.

The details of our employees as on August 31, 2011 is as follows:

Corporate	R&D	Marketing and Sales	Operations	Total
5	35	14	78	132

Marketing and Sales

Our marketing and sales team directly deals with the end customers. Our sales team upon understanding the technical specifications of a prospective customer, generate enquiry for the required products, submits our techno-commercial offer and finalizes the frame agreements or rate contracts with the cellular operators and OEMs. The regional teams work closely with the telecom circle technical and commercial team to generate purchase orders based on the frame agreements. We have a pan-India presence with offices in major cities in India, to ensure fast turnaround as well as efficient after sales service.

Competition

Our competition has been primarily only from companies in United States of America, Germany, India and China. Our main competitors are CommScope, Kathrein, RFS, Comba and Astra Microwave.

Property

The manufacturing facility of our Company is located at No 104, Suragajakkanahalli, Jigani, Anekal Road, Kasaba Hobli, Anekal Taluk, Bangalore - 562106. The property on which our manufacturing facility is located is owned by our Company.

The Registered Office of our Company is at Kaveri Industrial Estate, plot No.31 to 36, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore-560076. The property has been taken on rent by our Company; we have a rent agreement dated July 4, 2011 with Ms. C. Uma Reddy, our Promoter, for a period of 11 months for the same. For further expansion of our manufacturing facility in Bangalore, India we have been allotted 2 acres of land at Plot no. 299-A of Harohalli 2nd Phase Industrial Area, Kanakpura, Bangalore on sale cum lease basis which includes lease for a period of 10 years from Karnataka Industrial Areas Development Board *vide* allotment letter dated November 18, 2009. Upon making the requisite payments, possession shall be granted to our Company with effect from June 3, 2011, for the same. The sale cum lease agreement for the said property with the Karnataka Industrial Areas Development Board was executed on June 22, 2011. The sale cum lease agreement stipulates that upon completion of the lease period of 10 years, the ownership of the land would be transferred to our Company upon payment of balance consideration as then determined by the Karnataka Industrial Areas Development Board.

Our Subsidiary KTIL has taken on lease various properties in India including, Mumbai, Pune, Chennai, New Delhi, Kolkata, Kochi and Hyderabad as its regional offices. The same premises are being used as regional offices by our Company giving us a pan India presence.

Our Subsidiaries outside India, own and rent various properties in Canada. The same is being used for production, marketing and after sale service by our Company. In United Kingdom, our Subsidiary uses the premises of our employee as its marketing office.

Intellectual Property

We rely on trademark laws, patent laws, confidentiality procedures and contractual provisions to protect our intellectual property. We require our employees and our customers to maintain confidentiality of our proprietary and confidential information. We have acquired intellectual property *vide* various acquisitions made by us. Even though we have not registered or applied for registration of any intellectual property in India, we have patents and trademarks registered in the name of our Subsidiary, Spotwave Wireless Limited in various parts of the world. Our Subsidiary Spotwave Wireless Limited has also applied for registrations of various patents and trademarks. Our Company has also acquired various patent applications from PCTEL Inc. vide assignment deed dated September 26, 2007.

Insurance

Our Company maintains insurance policies to cover our assets against natural calamities including fire, earthquake, floods etc. Our Company also maintains insurance policies against burglary and portable equipments. We also maintain an accident insurance policy for all our employees and Directors and officers liability insurance. All our employees are covered through a medical insurance policy to cover themselves and their families from any medical hospitalization needs. Our Company believes that the policies we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business and are in accordance with industry standards. Along with the insurance policies maintained by our Company, our Subsidiaries in Canada maintain an overall composite business policy covering its assets against all natural calamities.

Awards and Recognition

Our Company has received numerous awards and recognition, including:

- Ranked 22nd and recognised as one of the fastest growing technology companies in the Technology Fast50 India 2011 programme conducted by Deloitte Touche Tohmatsu, Asia Pacific.
- Ranked 21st and recognised as one of the fastest growing technology companies in the Technology Fast50 India 2008 programme conducted by Deloitte Touche Tohmatsu, Asia Pacific.
- Renewal certificate dated April 17, 2009 from Ministry of Science and Technology, recognising the In House R&D unit valid upto March 31, 2012.
- Awarded certificate of merit for Business Excellence and awarded second prize for Entrepreneurial Excellence in ELCINA-EFY Awards for the year 2009-2010 organised by ELCINA Electronics Industries Association of India.
- Ranked 21st and recognised as one of the fastest growing technology companies in the Technology Fast50 India 2009 programme conducted by Deloitte Touche Tohmatsu, Asia Pacific.
- Awarded Best SME Innovator of the Year, at the Business Today SME Awards, 2009 presented by Yes Bank.
- Certification dated January 19, 2001, re issued on May 1, 2010 from the Bureau of Indian Standards (ISO Certification), assessed by NQA accrediting our Company, BE EN ISO 9001:2008 valid upto May 1, 2013.
- Ranked 22nd in India's Fastest Growing Companies for the year 2010-2011 conducted by Business World.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the GoI that are applicable to us. The regulations set out below are not exhaustive, and are only intended to provide general information to investors and are neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

The Company is a global solution provider of telecom infrastructure and wireless products. It is involved in the design, development and manufacture of RF products and antennas for telecom, defence and space applications. The GoI and various state governments have introduced various notifications, schemes, guidelines etc. on issues relating to the manufacture of telecom equipments and wireless products. The following discussion details the important laws and regulations, which govern the telecom infrastructure and wireless products industry as prescribed by the RBI and the GoI.

REGULATION OF FOREIGN INVESTMENT IN INDIA

Foreign investment in India is primarily governed by the provisions of the Foreign Exchange Management Act, 1999 ("**FEMA**") and the rules and regulations promulgated thereunder. The RBI, in exercise of its powers under FEMA, has issued the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("**FEMA Regulations**") which prohibit, restrict and regulate the transfer or issue of securities, to a person resident outside India. Pursuant to the FEMA Regulations, no prior consent or approval is required from the RBI for foreign direct investment under the "automatic route" within the specified sectoral caps prescribed for various industrial sectors. In respect of all industries not specified under the automatic route, and in respect of investments in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

Further, FIIs may purchase shares and convertible debentures of an Indian company under the Portfolio Investment Scheme ("**PIS**") through registered brokers on recognized stock exchanges in India. Regulation 1(4) of Schedule II of the FEMA Regulations provides that the total holding by each FII or SEBI approved subaccount of an FII shall not exceed 10% of the total paid-up equity capital of an Indian company or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs and sub-accounts of FIIs added together shall not exceed 24% of the paid-up equity capital or paid-up value of each series of convertible debentures. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the concerned Indian company by passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

Dividends

Dividends on the equity shares received by foreign investors may be freely repatriated in foreign currency.

FOREIGN TRADE REGULATIONS

Foreign Trade (Development and Regulation) Act, 1992

Foreign Trade (Development and Regulation) Act, 1992 ("**FTDRA**") seeks to increase foreign trade by regulating imports and exports to and from India. FTDRA read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an Importer Exporter Code number unless such person or company is specifically exempt.

Import and Export and Trade related Regulations

Customs Act, 1962 and Rules thereunder

The Customs Act, 1962 ("**Customs Act**") provides that all importers must file a bill of entry or a cargo declaration, containing the prescribed particulars for entry of customs clearance. Additionally, a series of other documents relating to the cargo are to be filed with the appropriate authority. After registration of the bill of entry, it is forwarded to the concerned appraising group in the custom house. This is followed by an assessment by the assessing officer in order to determine the duty liability. Further, all imported goods are examined for verification of correctness of description given in the bill of entry. Post- assessment, the importer may seek delivery of the goods from the custodians.

Importer Exporter Code

Under the FTDRA, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/divisions/ units/factories.

State Shops and Establishments Acts

In India, the state governments have been given the authority to regulate the functioning of shops and establishments established within the territories of the respective state. In exercise of this power, various states have enacted shops and establishments legislations, applicable to the shops and establishments falling within the territorial jurisdiction of such states.

The Company is governed by the various shops and establishments legislations in the states where its branches are located. These legislations regulate the conditions of work and employment in shops and establishments and generally prescribe obligations in respect of registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

The Micro, Small and Medium Enterprises Development Act, 2006 (the "MSMED Act")

The MSMED Act was enacted with the purpose of facilitating the promotion, development and enhancement of the competitiveness of micro, small and medium enterprises. The term 'enterprise', as defined under the MSMED Act, means an industrial undertaking or a business concern or any other establishment engaged in the manufacture of production of goods. The National Board for Micro, Small and Medium Enterprises was established under the MSMED Act, which was entrusted with the functions of reviewing the policies and programmes of the Central government and make recommendations on the same in order to facilitate the promotion and development of the micro, small and medium enterprises.

LABOUR AND EMPLOYEES RELATED STATUTES

The Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 (the "**Contract Labour Act**") has been enacted to regulate the employment of contract labour in certain establishments and for matters connected therewith. The Contract Labour Act provides for the constitution of Central and State Advisory Boards to advise the concerned governments on matters arising out of the administration of the act.

The Employees' Provident Fund and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the "**EPF Act**") provides for the compulsory institution of contributory provident funds, pension funds and deposit linked insurance funds for employees. The EPF Act aims to ensure a retiral benefit to secure the future of the employee after retirement. Employees covered under the act include contract labour but exclude apprentices, trainees, directors, working partners, domestic servants and contractors. Establishments can seek exemption from any or all the provisions of the act.

The Employees' State Insurance Act, 1948

The Employees' State Insurance Act, 1948 (the "**ESI Act**") provides for the provision of benefits to employees in case of sickness, maternity and employment injury. Under the ESI Act, employees receive medical relief, cash benefits, maternity benefits, pension to dependents of deceased workers and compensation for fatal or other injuries and diseases. Payments are made through a contributory fund. It applies to all factories including government factories (excluding seasonal factories), which employ 10 or more employees and carry on a manufacturing process with the aid of power (20 employees where manufacturing process is carried out without the aid of power). The ESI Act can also be extended to shops and establishments. Generally, shops and establishments employing more than 20 employees as defined by the ESI Act are covered by the same.

The Factories Act, 1948

The Factories Act, 1948 (the "**Factories Act**") defines '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.

The Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 (the "**I D Act**") provides the machinery and procedure for the investigation settlement of industrial disputes and for providing certain safeguards to the workers. The I D 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 I D Act in order to prevent the occurrence or continuance of the dispute.

Reference may be made to a board of conciliation constituted under the I D 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 I D Act while adjudicating a dispute to grant appropriate relief.

The Minimum Wages Act, 1948

The Minimum Wages Act, 1948 (the "**MW Act**") was formulated to provide for fixing minimum rates of wages in certain employments. The MW Act also governs certain service conditions such as working hours, weekly rest days and payment of overtime for employees covered under the MW Act.

The Payment of Bonus Act, 1965

The object of The Payment of Bonus Act, 1965 (the "**Bonus Act**") is to provide for the payment of bonus (linked with profit or productivity) to persons employed in certain establishments and matters connected therewith. The Bonus Act extends to the whole of India and is applicable to every factory and establishment wherein 20 or more workers are employed on any day during an accounting year.

Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 (the "**Gratuity Act**") provides for a scheme for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments. The Gratuity Act enforces the payment of 'gratuity', a reward for long service, as a statutory retiral benefit. The Gratuity Act does not affect the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer.

The Payment of Wages Act, 1936

The Payment of Wages Act, 1936 (the "**Wages Act**") aims at regulating the payment of wages to certain classes of employed persons. It provides for the imposition of fines and deductions and lays down wage periods and time and mode of payment of wages. Thus, the Wages Act ensures payment of wages in a particular form at regular intervals without unauthorized deductions.

The Equal Remuneration Act, 1976

The Equal Remuneration Act, 1976 (the "**Remuneration Act**") provides for payment of equal remuneration to men and women workers, for the same work and prevents discrimination on the grounds of sex against women in the matter of employment, recruitment and for matters connected therewith or incidental thereto. This Remuneration Act was promulgated to give effect to Article 39 of the Constitution which envisages that State shall direct its policy, among other things, towards ensuring that there is equal pay for equal work for both men and women.

Workmen Compensation Act, 1923

The Workmen Compensation Act,1923 (the "**Compensation Act**") provides for payment of compensation to workmen and their dependents in case of injury and accident (including certain occupational disease) arising out of and in the course of employment and resulting in disablement or death. The Compensation Act applies to railway servants and persons employed in any such capacity as is specified in schedule II of the same. Schedule II includes persons employed in factories, mines, plantations, mechanically propelled vehicles, construction work and certain other hazardous occupations.

ENVIRONMENTAL REGULATIONS

Manufacturing units must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 ("**Water Act**"), the Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**") and the Environment (Protection) Act, 1986 ("**Environment Act**").

The Water Act provides for the constitution of a Central Pollution Control Board ("**Central Board**") and State Pollution Control Boards ("**State Boards**"). The Water Act debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State and Central Boards. The Air Act mandates that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The Central and State Boards constituted under the Water Act are also to perform functions as per the Air Act for the prevention and control of air pollution.

The Environment Act empowers the Government to take measures to protect and improve the environment, by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and also framing rules for regulating emission of pollutants into the environment.

In addition, the Ministry of Environment and Forests ("**MoEF**") mandates that an Environment Impact Assessment be undertaken to assess the environmental impact of a project before granting clearances to the projects.

INTELLECTUAL PROPERTY LAWS

Trademarks Act, 1999

A trademark is used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor or user to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The

Trademarks Act, 1999 governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of ten (10) years but can be renewed in accordance with the specified procedure.

The Design Act, 2000

The Design Act, 2000 ("**Design Act**") provides for the application and registration of designs in India, provided that the design is not contrary to public order or morality. The purpose of the act is to grant exclusive rights to designs such as a feature of shape, configuration, pattern or ornament, and to obtain relief in case of infringement for commercial purposes as a design. Application for registration of a design has to be made to the Controller-General of Patents, Designs and Trademarks who is the Controller of Designs for the purposes of the Design Act. The term of a registered design is initially for a period of ten years, unless it is renewed under the provisions of the Design Act. The Design Act also provides for penalties for infringement, falsifying and falsely applying designs.

The Patents Act, 1970 as amended by the Patents (Amendment) Act 2005

A new product or process, involving an inventive step and capable of being made or used in an industry is patentable. The Patents Act, 1970, as amended by the Patents (Amendment) Act 2005 ("**Patents Act**") provides for grant of exclusive patents for new inventions and registration of industrial designs. For an invention to be patentable, it should be technical in nature and should meet certain criteria as prescribed under the Patents Act. An inventor may make an application, either alone or jointly with another, or his/their assignee or legal representative of any deceased inventor or his assignee. An application for registration of a patent must be made to the Controller-General of Patents, Designs and Trademarks who is the Controller of Patents under the Patents Act. The term of a patent is initially for a period of 20 years from the date of filing of the application for a patent, unless it is renewed in accordance with the Patents Act. The Patents Act also provides for penalties for infringement, falsifying and falsely applying patents.

Fiscal Regulations

In accordance with the Income Tax Act, 1961 any income earned by way of profits by a company incorporated in India is subject to tax, levied on it in accordance with the tax rate as declared as part of the annual Finance Act. The Company, like other companies, avails of certain benefits available under the Income Tax Act, 1961. For details of the tax benefits, please refer to the section titled "***Taxation***".

The Central Sales Tax Act, 1956

The Central Sales Tax Act, 1956 (the "**CST Act**") provides for levy on inter-state sales. Sale is inter-state when either the sale occasions movement of goods from one state to another or when such sale is affected by transfer of documents during their movement from one state to another. The CST Act in each state is administered by the local sales tax authorities of each state, and the tax collected by the states under the CST Act is retained by them. Every dealer liable to pay tax under the CST Act is mandatorily required to register itself under this act. However, a dealer registered under the applicable state sales tax law may voluntarily apply for registration under CST Act even if such dealer is not liable to pay central sales tax.

State Sales Tax /Value Added Tax

In India, sales tax is levied at two levels, at the central level under the CST Act and at the state level under the respective state sales tax/value added tax legislations. Value Added Tax ("**VAT**") is a modern and progressive form of sales tax. It is charged and collected by dealers on the price paid by the customer. VAT paid by dealers on their purchases is usually available for set-off against the VAT collected on sales. VAT is a State subject and therefore the States will have the freedom for appropriate variations in their VAT regimes; many of the States have agreed to change over to a VAT system providing uniformity. Registration of a dealer, under the applicable state VAT legislation, can be either mandatory or voluntary. Registration is mandatory when the total sales turnover of the dealer exceeds the threshold limit provided in the applicable state VAT legislation. However, where the prescribed threshold limit is not breached, the dealer may, at his own option, register himself under the applicable state VAT legislation. The essence of VAT is in providing set-off for the tax paid earlier, and this is given effect through the concept of input tax credit. VAT is based on the value addition to goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular financial period.

Central Excise Regulations

Excise duty is imposed on goods produced or manufactured in India under the provisions of the Central Excise Act, 1944 and the Central Excise & Tariff Act, 1985.

BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

Pursuant to the Companies Act, Directors may be appointed by the shareholders of our Company in a general meeting. The Articles envisage that the number of Directors shall not be less than three (03) and not more than twelve (12). We currently have six (06) Directors on our Board.

Pursuant to the Companies Act, not less than two-thirds of the total numbers of directors shall be persons whose period of office is subject to retirement by rotation and one third of such directors, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office at every annual general meeting. The directors to retire are those who have been the longest in the office since their last appointment. Our Directors are not required to hold any shares of the Company by way of qualification shares. Our Articles permit certain financial institutions, holding debentures issued by the Company, to appoint one or more Directors to the Board for such period and upon such conditions as may be mentioned in the agreement and such Directors may not be liable to retire by rotation or be required to hold any qualification shares. Presently, none of the Directors appointed on the Board of our Company are nominee directors.

The present composition of the Board and its proceedings are in accordance with the Companies Act and the norms of the code of corporate governance applicable to listed companies in India under the Listing Agreements.

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

S. No.	Name, Father's / Husband's name, Address, Occupation, DIN, Nationality and Age (in years)	Date and Term of Appointment	Designation	Other Directorships
1.	Mr. C. Shivakumar Reddy S/o Mr. Chennareddy Veera Reddy *Address*: Ramanashree, No. 14, 29th Main, BTM Layout 2nd Stage, Bengaluru – 560076, Karnataka. *Occupation*: Service *DIN*: 01189348 *Nationality*: Indian *Age*: 48	*Date of Appointment*: October 1, 1997 *Term*: Reappointed as the Chairman and Managing Director with effect from September 1, 2007, for a period of five (05) years.	Chairman and Managing Director (*executive, non-independent*)	1. SMR Telecom Holdings Private Limited; 2. Eaicom India Private Limited; 3. Kavveri Telecom Infrastructure Limited; 4. Kavveri Telecom Products UK Limited; 5. Kavveri Technologies Inc., Canada; and 6. Kavveri Telecom Innovations Private Limited.

S. No.	Name, Father's / Husband's name, Address, Occupation, DIN, Nationality and Age (in years)	Date and Term of Appointment	Designation	Other Directorships
2.	Mrs. R.H. Kasturi W/o Mr. C. Shivakumar Reddy *Address*: Ramanashree, No. 14, 29th Main, BTM Layout 2nd Stage, Bengaluru – 560076, Karnataka. *Occupation*: Service *DIN*: 00291851 *Nationality*: Indian *Age*: 44	*Date of Appointment*: January 19, 1996 *Term*: Appointed as a whole time director with effect from September 1, 2007, for a period of five (05) years.	Whole time Director (*executive, non-independent*)	1. SMR Telecom Holdings Private Limited; 2. Eaicom India Private Limited; 3. Kavveri Telecom Infrastructure Limited; and 4. Kavveri Telecom Innovations Private Limited.
3.	Mr. L. Nicholas S/o Mr. Lordnathan Doraiswamy *Address*: B7-42, BDA MIG Flats, Domlur, Bengaluru – 560071, Karnataka. *Occupation*: Service *DIN*: 01021800 *Nationality*: Indian *Age*: 64	*Date of Appointment*: March 3, 2003 *Term*: Liable to retire by rotation.	Whole time Director (*executive, non-independent*)	Nil

S. No.	Name, Father's / Husband's name, Address, Occupation, DIN, Nationality and Age (in years)	Date and Term of Appointment	Designation	Other Directorships
4.	Mr. L.R. Venugopal S/o Mr. Laxmipuram Rajagopalchar *Address*: No.705, Gokulam, 17th Cross, 25th Main, J. P. Nagar, 6th Phase, Bengaluru – 560078, Karnataka. *Occupation*: Chartered Accountant *DIN*: 01058716 *Nationality*: Indian *Age*: 59	*Date of Appointment*: October 1, 2001 *Term*: Liable to retire by rotation.	Director (*non-executive, independent*)	1. Kavveri Telecom Infrastructure Limited.
5.	Mr. B.S. Shankarnarayan S/o Mr. Bangalore Shrikantiah *Address*: 86, NGEF Colony, Sanjay Nagar, Bengaluru – 560094, Karnataka. *Occupation*: Business *DIN*: 00269705 *Nationality*: Indian *Age*: 61	*Date of Appointment*: October 8, 2005 *Term*: Liable to retire by rotation.	Director (*non-executive, independent*)	1. Shimoga Steels Limited; 2. Wipro Finance Private Limited; 3. Padmavathi Software Solutions Private Limited; and 4. SVR Properties Private Limited.

S. No.	Name, Father's / Husband's name, Address, Occupation, DIN, Nationality and Age (in years)	Date and Term of Appointment	Designation	Other Directorships
6.	Mr. V.Jagdish Chamarajanagara S/o Venkatakrishnaiah Srikanataavadhani *Address*: 32, Pattalamma Temple Street, Basavannagudi, Bangalore – 560 004 *Occupation*: Business *DIN*: 02781858 *Nationality*: Indian *Age*: 54	*Date of Appointment*: August 17, 2009 *Term*: Liable to retire by rotation.	Director (*non-executive, independent*)	Nil

Brief profiles of the Directors:

Mr. C. Shivakumar Reddy, aged 48 years, is the Chairman and Managing Director of our Company. He obtained a bachelor's degree in technology (electronics and communications engineering) from the Jawahar Lal Nehru Technological University (JNTU), Hyderabad, in the year 1984. He was one of the promoter directors of Kaveri Microwave Components Limited, Hyderabad, which started operations in 1988 and was instrumental in design, development and marketing of RF products until August 1991. In his current role as managing director, Mr. C. Shivakumar Reddy has successfully steered our Company on a high growth path.

Mrs. R.H. Kasturi, aged 44 years, is a whole time director of our Company. She holds a bachelor's degree in engineering (electronics engineering) from the Bangalore University. She started M/s Kaveri Microwave Components as a proprietary concern in 1991. In her current capacity, Mrs. Kasturi is instrumental in the successful management of the day-to-day administration activities of our Company. She is also responsible for all the administration and HR functions of our Company.

Mr. L. Nicholas, aged 64 years, is the Director (Research and Development) of our Company. He holds a bachelor's degree in engineering (electronics engineering) from the Bangalore University. Prior to joining our Company, he was working in the communications systems division (CSD) of ISRO Satellite Centre, Department of Space, Bangalore, for approximately 23 years. During that period, he was actively associated with the design, development, testing and qualification of various onboard satellite antennas and ground based antennas. He is a recipient of the National Research and Development Corporation's (NRDC) Independence Day Award in the year 1995 for the design and development of satellite hand held phone antenna in UHF/L/S band. He jointly holds a European patent on a multi band antenna system. He has also published several papers in various foreign and Indian journals viz. IEEE, European Microwave Conference, Japan Microwave and Space Symposium etc. Mr. L. Nicholas, in his current role, heads the R&D division of our Company and assists our Company in bringing new products to meet the market requirements.

Mr. L.R. Venugopal, aged 59 years, is an independent director of our Company. He is a qualified chartered accountant and a member of the ICAI. Mr. Venugopal has extensive experience in the areas of finance and audit.
He assists our Company in formulating internal controls, various systems and procedures for streamlining the internal functioning of our Company to ensure compliance with various statutory requirements.

Mr. B.S. Shankarnarayan, aged 61 years, is an independent director of our Company. He holds a bachelor's degree in law from the University of Mysore and has been practicing since 1971. Previously, he has worked as a law officer for Canara Bank Limited for 14 years where he was heading the industrial relations section. He is a legal advisor to several companies like Wipro Finance Private Limited and Canara Bank Limited.

Mr. V. Jagdish Chamarajanagara, aged 54 years, is an independent director of our Company. He obtained a bachelor's degree in electronics and communication from the National Institute of Engineering, Mysore, in 1979 and began his career as an engineer with Indian Telephone Industries and National Semiconductors Singapore, before advancing to holding several key positions in the private sector. He was a director with FEI Company of USA. Subsequently, he also worked as the vice president of the marketing and business development division of Systems on Silicon Manufacturing Company (SSMC), Singapore, before he was appointed as the chief executive officer of SSMC in December 2006.

Borrowing Powers of our Directors

Pursuant to a resolution passed by the shareholders of our Company on September 29, 2007, and in accordance with the provisions of the Companies Act, the Board is authorised to raise and borrow, from time to time, sums of money upon such terms and conditions and for such purposes as the Board considers necessary for our Company's business, provided the aggregate indebtedness of our Company, exclusive of temporary loans obtained or to be obtained by our Company in the ordinary course of its business, may not exceed, at any given time, a sum of Rs. 15,000 lakhs.

Relationships between Our Company's Directors

None of our Directors are 'relatives' within the meaning of section 6 of the Companies Act except as stated below:

Name of the Directors	Relationship
Mr. C. Shivakumar Reddy	Husband of Mrs. R.H. Kasturi
Mrs. R.H. Kasturi	Wife of Mr. C. Shivakumar Reddy

None of our Directors have been appointed pursuant to any arrangement or understanding with the major shareholders, customers, suppliers or others, of our Company.

Interests of our Directors

All our Directors, including our independent Directors may be deemed to be interested to the extent of the fees payable to them for attending meetings of the Board or a committee thereof, as well as to the extent of other remuneration and reimbursement of expenses, if any, payable to them.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoter. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors have no interest in any property acquired or proposed to be acquired by our Company in the two years preceding the date of this Preliminary Placement Document. Except as stated in the Financial Statements, our Company has not entered into any contracts, agreements during the two years preceding the date of this Preliminary Placement Document, in which the Directors are interested directly or indirectly and no payments have been made to them in respect of such contracts or agreements.

The following table sets forth details regarding the shareholding of the Board of Directors in the Company as of June 30, 2011:

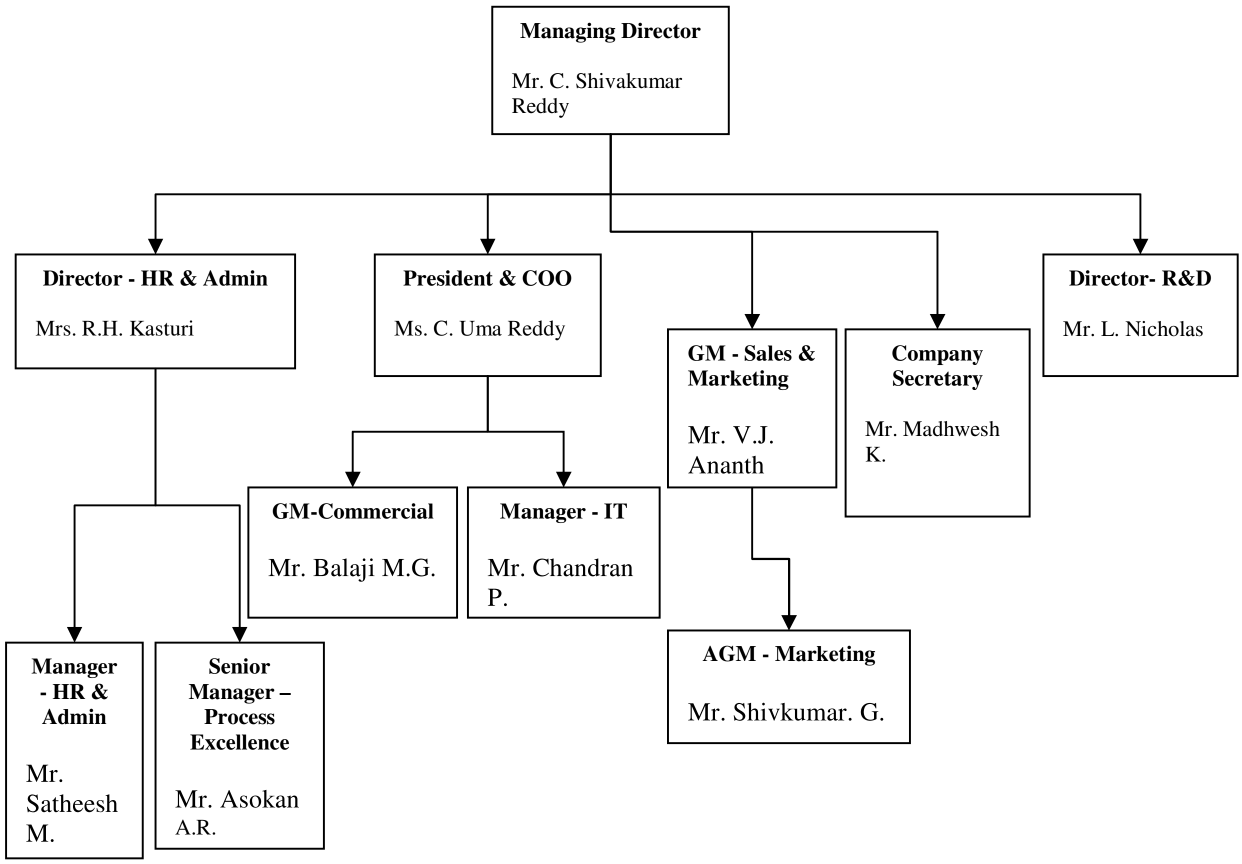
S. No.	Name	Number of equity shares held in the Company	Percentage (%)
1.	Mr. C. Shivakumar Reddy	23,06,704	13.67
2.	Mrs. R.H. Kasturi	22,63,769	13.42
3.	Mr. L. Nicholas*	4,200	0.04
4.	Mr. L.R. Venugopal	Nil	Nil
5.	Mr. B.S. Shankarnarayan	Nil	Nil
6.	Mr. V.J. Chamarajanagara	Nil	Nil

* *Mr. L. Nicholas has also been granted 67,000 stock options under the Kavveri ESOS 2008, as on June 30, 2011. For details on the Kavveri ESOS 2008, please refer to the section titled "**Employee Stock Option Schemes**" given below.*

Changes in the Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Mr. P.C. Krishnamachary	November 10, 2003	December 28, 2008	Deceased
Mr. A.N. Avadhani	October 8, 2005	March 12, 2009	Resignation
Ms. C. Uma Reddy	April 1, 2002	June 16, 2009	Resignation
Mr. V.J. Chamarajanagara	August 17, 2009	N/A	Appointment

Organisational Structure



Confirmations

None of our Directors is or was a director of any listed company whose shares have been or were suspended from being traded on a recognised stock exchange in India, during the term of their directorship in such company.
None of our Directors is or was a director of any listed company which has been or was delisted from any recognised stock exchange in India, during the term of their directorship in such company.

Common Pursuits

Our Directors, Mr. C. Shivakumar Reddy and Mrs. R.H. Kasturi, are also the directors of SMR, a Promoter Group company, which is authorised by the main objects of its memorandum of association to carry on the business of manufacturing, producing, designing professional grade microwave components like duplex filters, low pass, high pass, band pass, band reject, harmonic reject filters, Isolators / Circulators, Power Splitters / Combiners etc., or to carry on the business of manufacturers, installation, operation and maintenance of public and private telecommunication networks, local exchange networks and works connected therewith, which is similar to the business of our Company.

Furthermore, our Directors, Mr. C. Shivakumar Reddy and Mrs. R.H. Kasturi, are also the directors of KTIPL, a Promoter Group company, which is authorised by the main objects of its memorandum of association to provide telecom networks and to run and maintain telecom services like basic / fixed line services, cellular / mobile services etc., or to carry on the business of manufacturing, producing, designing and assembling of all types of telecommunication equipments and components, or to carry on the business of creating telecom infrastructure, including towers in all types of buildings and structures, and to develop, erect, install, maintain and manage, lease or let on hire, the telecom equipment installed in all such buildings and structures, which is similar to the business of our Company.

As on the date of this Preliminary Placement Document, neither SMR nor KTIPL carry on any operational business, hence, we have not entrered into a non-compete agreement with either SMR or KTIPL.

Corporate Governance

The Company is compliant with all the requirements of the guidelines on corporate governance as per clause 49 of the Listing Agreement entered into with the BgSE and the NSE.

There are four (04) committees in the Company, which have been constituted and function in accordance with the relevant provisions of the Companies Act and the Listing Agreement, namely, (i) the Audit Committee; (ii) the Remuneration Committee; (iii) the Investors' Grievance Committee; and (iv) the Compensation Committee.

Committees of the Board of Directors

Audit Committee

Pursuant to the requirements of section 292A of the Companies Act and the provisions of clause 49 of the Listing Agreement, an Audit Committee has been constituted by the Board. Presently, the Audit Committee consists of:

S.No.	Name of the Director	Status
1.	Mr. L.R. Venugopal	Chairman
2.	Mr. V.J. Chamarajanagara	Member
3.	Mr. B.S. Shankarnarayan	Member
4.	Mr. C. Shivakumar Reddy	Member

All the members (including the Chairman), except for Mr. C. Shivakumar Reddy are independent Directors. Mr. Madhwesh K., the company secretary of the Company, acts as the secretary of the Audit Committee.

The terms of reference of the Audit Committee are as provided in clause 49 of the Listing Agreement as well as section 292 of the Companies Act, including overview of the accounting systems, correctness of the financial reporting and internal controls of our Company.

The terms of reference of the Audit Committee of our Company are as follows:

- oversee the Company's financial reporting to ensure that the statements are correct, sufficient and credible;
- recommending to the Board, appointment, re-appointment and removal of internal auditors and fixing their fees;
- reviewing with the management and auditors the adequacy of internal control systems;
- review of management discussion and analysis of financial condition and results of operations;
- review of significant related party transactions submitted by management;
- reviewing the internal audit function;
- investigating into activities within its terms of reference including seeking information from employees, taking outside legal opinion wherever deemed necessary;
- reviewing financial and risk management policies;
- ensuring legal and other statutory compliances; and
- ensuring compliance with the accounting standards.

Remuneration Committee

The Remuneration Committee presently consists of:

S.No.	Name of the Director	Status
1.	Mr. L.R. Venugopal	Chairman
2.	Mr. V.J. Chamarajanagara	Member
3.	Mr. B.S. Shankarnarayan	Member

All the members of the Remuneration Committee are independent Directors. Mr. Madhwesh K, company secretary of the Company, acts as the secretary of the Remuneration Committee.

The terms of reference of the Remuneration Committee include fixing the remuneration payable to managerial personnel from time to time.

Shareholders' / Investors' Grievance Committee

The Shareholders' / Investors' Grievance Committee presently consists of:

S.No.	Name of the Director	Status
1.	Mr. L.R. Venugopal	Chairman
2.	Mr. V.J. Chamarajanagara	Member
3.	Mr. B.S. Shankarnarayan	Member
4.	Mr. C. Shivakumar Reddy	Member

All the members (including the Chairman), except for Mr. C. Shivakumar Reddy are independent Directors. Mr. Madhwesh K., company secretary of the Company, acts as the secretary of the Shareholders' / Investors' Grievance Committee.

Integrated Enterprises (India) Limited (formerly known as Alpha Systems Private Limited) is the registrar and transfer agent for servicing the shareholders holding Equity Shares in physical or dematerialised form. All requests for dematerialisation of shares are processed and confirmations are communicated to the investors within the prescribed time.

The terms of reference of the Shareholders' / Investors' Grievance Committee of our Company are as follows:

- allotment, transfer, transmission and issue of share certificates including duplicate, split, sub-divide or consolidated certificates and to deal with all related matters; and

- to look into and redress shareholders/ investors grievances relating to transfer of shares, non-receipt of balance sheets, dividend warrants and such other matters that may be considered necessary in relation to shareholders and investors of the Company.

As on the date of this Preliminary Placement Document, there are no investor complaints pending with the Shareholders' / Investors' Grievance Committee.

Compensation Committee

The Compensation Committee presently consists of:

S.No.	Name of the Director	Status
1.	Mr. L.R. Venugopal	Chairman
2.	Mr. B.S. Shankarnarayan	Member
3.	Mr. C. Shivakumar Reddy	Member

All the members (including the Chairman), except for Mr. C. Shivakumar Reddy are independent Directors. Mr. Madhwesh K., company secretary of the Company, acts as the secretary of the Compensation Committee.

The terms of reference of the Compensation Committee includes administering the employee stock option scheme of the Company in terms of the Kavveri ESOS 2008 as approved by the Shareholders.

Terms of employment of our executive Directors

Mr. C. Shivakumar Reddy

Mr. C. Shivakumar Reddy was re-appointed as the Managing Director of our Company vide the shareholders' resolution dated September 29, 2007, for a period of five (05) years with effect from September 1, 2007. The key terms of appointment are mentioned below:

Salary	Rs. 1,25,000 per month
Perquisites	• Gratuity payable at the rate not exceeding half a month's salary for each completed year of service. • Contribution to provident fund and superannuation fund to the extent they, either singly or put together, are not taxable under the Income Tax Act, 1961. • Leave encashment as per the Company's rules. • Leave travel concession for self and family, at actuals. • Medical reimbursement, at actuals. • Provision for Company owned cars and telephone for personal purposes. • Club fees (maximum of two (02) clubs).

	The perquisites shall be valued on cost to company basis.
Commission	Not more than 3 percent of the net profits of the Company computed in accordance with section 349 of the Companies Act.

Mrs. R.H. Kasturi

Mrs. R.H. Kasturi was re-appointed as the Director (Administration) of our Company vide the shareholders' resolution dated September 29, 2007, for a period of five (05) years with effect from September 1, 2007. The key terms of appointment are mentioned below:

Salary	Rs. 1,25,000 per month
Perquisites	• Gratuity payable at the rate not exceeding half a month's salary for each completed year of service. • Contribution to provident fund and superannuation fund to the extent they, either singly or put together, are not taxable under the Income Tax Act, 1961. • Leave encashment as per the Company's rules. • Leave travel concession for self and family, at actuals. • Medical reimbursement, at actuals. • Provision for Company owned cars and telephone for personal purposes. • Club fees (maximum of two (02) clubs). The perquisites shall be valued on cost to company basis.
Commission	Not more than 3 percent of the net profits of the Company computed in accordance with section 349 of the Companies Act.

Mr. L. Nicholas

Mr. L. Nicholas was re-appointed as the Director (Research and Development) of our Company vide the shareholders' resolution dated September 30, 2008, for a period of five (05) years with effect from March 3, 2008. The key terms of appointment are mentioned below:

Salary	Rs. 1,75,000 per month
Perquisites	• Gratuity payable at the rate not exceeding half a month's salary for each completed year of service. • Leave travel concession for self and family as per the Company's rules. • Medical reimbursement as per the Company's rules. • Use of car and telephone at residence. The perquisites shall be valued on cost to company basis.
Commission	Nil

Benefits upon termination

None of our Directors have entered into any service contracts with the Company providing for benefits upon termination of their employment.

Compensation of the Directors

Non-Executive Directors

The non-executive Directors are not paid any remuneration except commission and sitting fees for attending the meetings of the Board of Directors and/or committees thereof. As regards payment of commission and sitting fees to non-executive Directors, the same is within the limits prescribed by the Companies Act. The Company does not have material pecuniary relationship or transactions with its non-executive Directors. The details of the sitting fees and commission paid for the financial year ending March 31, 2011, are as follows:

(in Rs.)

Name of the Director	Sitting Fees	Commission	Total
Mr. L. R. Venugopal	37,500	5,00,000	5,37,500
Mr. B. S. Shankarnarayan	37,500	5,00,000	5,37,500
Mr. V. Jagdish. Chamarajanagara	12,500	5,00,000	5,12,500

Whole-time Directors

Remuneration of the whole-time Directors is based on the years of experience and contribution made by the respective whole-time Directors and is consistent with the existing industry practice. The remuneration paid to the whole time Directors for the financial year ending March 31, 2011, is as follows:

(in Rs.)

Name of the Director	Salary	Perquisites	Commission	Total
Mr. C. Shivakumar Reddy	15,09,360	Nil	1,45,48,717	1,60,58,077
Mrs. R.H. Kasturi	15,09,360	Nil	1,45,48,717	1,60,58,077
Mr. L. Nicholas	21,00,000	Nil	Nil	21,00,000

Key Managerial Personnel

The following are the key managerial personnel of the Company:

Name	Designation	Age (in years)	Educational Qualification	Date of Appointment
Ms. C. Uma Reddy	President and Chief Operating Officer	53	Undergradauate	June 16, 2009
Mr. V.J. Ananth	General Manager (Sales and Marketing)	53	B.E.,MBA	March 10, 2008
Mr. Balaji M.G.	General Manager (Commercial)	49	BE	February 10, 1998
Mr. Asokan A.R.	Senior Manager (Process Excellence)	43	DEC, PGD in quality management	October 16, 2008
Mr. Madhwesh K.	Company Secretary	30	ACS	May 29, 2009
Mr. Satheesh M.	Manager (HR and Administration)	30	MBA	May 09, 2011
Mr. Chandran P.	Manager (IT)	35	B.E	May 11, 2011
Mr. Shivkumar G.	Assistant General Manager (Marketing)	43	DEC	June 23, 1994

Brief Biography of the Key Managerial Personnel

Ms. C. Uma Reddy, aged 53 years, was appointed as the President and Chief Operating Officer of our Company on June 16, 2009. She discontinued a bachelor's degree in arts from the Bangalore University. She has previously worked with Ani Leather Creations as an executive for a period of ten (10) years. She has a cumulative work experience of 25 years, including ten (10) years of experience in the leather industry and 15 years of experience in the telecommunication sector. She is also one of the Promoters of our Company. She was paid a remuneration of Rs. 5.94 lakhs for the financial year ended March 31, 2011.

Mr. V.J. Ananth, aged 53 years, was appointed as the General Manager (Sales and Marketing) of our Company on March 10, 2008. He holds a bachelor's degree in electrical engineering from the Bangalore University and master's degree in business administration from the Bangalore University. He has previously worked with Telectron (United Arab Emirates), AMCL (Saudi Arabia) and Hindustan Aeronautics Limited. He has a cumulative work experience of

17 years in the power and telecom sectors. He was paid a remuneration of Rs. 19.88 lakhs for the financial year ended March 31, 2011.

Mr. Balaji M.G., aged 49 years, was appointed as the Manager (Quality Assurance) on February 10, 1998 and was promoted as the General Manager (Commercial) of our Company on April 10, 2009. He holds a bachelor's degree in instrumentation technology from Bangalore University. He has previously worked with Speck Systems Private Limited, Sinclaire Electronic Industries and Elcot New Era Technologies. He has a cumulative work experience of 25 years in the areas of quality assurance, manufacturing, procurement, sourcing and logistics in commercial and professional electronics industries. He was paid a remuneration of Rs. 14.86 lakhs for the financial year ended March 31, 2011.

Mr. Asokan A.R., aged 43 years, was appointed as the Senior Manager (Process Excellence) of our Company on October 16, 2008. He holds a diploma in electronics and communications from the Indian Air Force, a master's degree in business administration from Indira Gandhi National Open University and a post-graduate diploma in quality management systems from Indira School of Management Studies. He has previously worked with the Asian Institute of Quality Management as a senior management trainer for a period of three (03) years. He has a cumulative work experience of 24 years in the areas of quality management, consulting and training. He was paid a remuneration of Rs. 6.21 lakhs for the financial year ended March 31, 2011.

Mr. Madhwesh K., aged 30 years, was appointed as the Company Secretary of our Company on May 29, 2009. He is a qualified company secretary and is an associate member of the Institute of Company Secretaries of India. He has previously worked with Kurlon Limited and Royal Orchid Hotels Limited. He has a cumulative work experience of four (04) years in the company secretarial field. He was paid a remuneration of Rs. 4.44 lakhs for the financial year ended March 31, 2011.

Mr. Satheesh M., aged 30 years, was appointed as the Manager (Human Resource and Administration) of our Company on May 9, 2011. He holds a post graduate diploma in human resource management from the Pondicherry University. He has previously worked with M/s Cipla Pharmaceuticals, Bengaluru, as Head (Human Resource and Industrial Relations) for approximately two (02) years. He has a cumulative work experience of nine (09) years in the areas of human resource, industrial relations and administration. He was not paid any remuneration for the financial year ended March 31, 2011, as he joined our Company on May 9, 2011.

Mr. Chandran P., aged 35 years, was appointed as the Manager (IT) of our Company on May 11, 2011. He holds a bachelor's degree in electronics and power engineering from the Nagpur University. He has previously worked with Hewlett-Packard India Sales Private Limited as a project manager for a period of two (02) years. He has a cumulative work experience of ten (10) years in the areas of IT infrastructure. He was not paid any remuneration for the financial year ended March 31, 2011, as he joined our Company on May 11, 2011.

Mr. Shivkumar G., aged 43 years, was appointed as a technical assistant in KMC (before it was acquired by our Company) on June 23, 1994. He was later appointed as the Assistant General Manager (Marketing) of our Company on June 1, 2007. He holds a diploma in telecommunication engineering (electronics and telecommunications) and a post-graduate diploma in business administration in marketing from the Symbiosis Centre for Distance Learning, Pune. He has previously worked with Superline Microwave and Bharat Electronics Limited for a period of four (04) years. He has a cumulative work experience of 21 years in the telecommunication sector. He was paid a remuneration of Rs. 6.61 lakhs for the financial year ended March 31, 2011.

All of the above mentioned key managerial personnel are permanent employees of our Company. None of the key managerial personnel are related to each other. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with any of our major shareholders, customers, suppliers or others.

Shareholding of Key Managerial Personnel

The following table sets forth the shareholding of the key managerial personnel of our Company as on June 30, 2011:

Sr. No.	Name of the Key Managerial Personnel	Number of Equity Shares
1.	Ms. C. Uma Reddy	17,00,100

Sr. No.	Name of the Key Managerial Personnel	Number of Equity Shares
2.	Mr. V.J. Ananth*	1,200
3.	Mr. Balaji M.G.*	500
4.	Mr. Asokan A.R.	Nil
5.	Mr. Madhwesh K.	Nil
6.	Mr. Satheesh M.	Nil
7.	Mr. Chandran P.	Nil
8.	Mr. Shivkumar G.*	830

* *Mr. V.J. Ananth, Mr. Balaji M.G. and Mr. Shivkumar G. have been granted 3,200, 2,000 and 2,000 stock options, respectively, under the Kavveri ESOS 2008 as on June 30, 2011. For details on the Kavveri ESOS 2008, please refer to the section titled "**Employee Stock Option Schemes**" given below in this Preliminary Placement Document.*

Relation of Key Managerial Personnel with the Promoter, Directors, and other Key Management Personnel

None of our key managerial personnel are related to our Promoters, Directors or to other key managerial personnel, except as stated below:

Name of the Key Managerial Personnel	Relationship
Ms. C. Uma Reddy	Sister of Mr. C. Shivakumar Reddy, Chairman and Managing Director

Interest of Key Managerial Personnel

Except as stated in the section titled *"**Financial Statements- Related Party Transactions**"* of this Preliminary Placement Document and to the extent of their shareholding in our Company, and remuneration or benefits to which they are entitled as per the terms of their employment and reimbursement of their expenses incurred by them in the ordinary course of business, our Company's key managerial personnel do not have any other interest in our Company.

Changes in Key Managerial Personnel during the last three years

Name of Key Managerial Personnel	Date of appointment	Date of cessation	Reason
Mr. Amarta Datta Gupta	February 18, 2008	January 20, 2010	Resignation
Mr. Purushottam.A. Rasalkar	January 17, 2008	April 16, 2009	Resignation
Mr. Girish Kumar Gupta	December 22, 2008	June 30, 2009	Resignation
Mr. Jai Prakash Singh	February 2, 2009	July 19, 2010	Resignation
Mr. Madhwesh K.	May 29, 2009	N/A	Appointment
Ms. C. Uma Reddy	June 16, 2009	N/A	Appointment
Mr. Kubera H.C.	March 10, 2008	June 3, 2010	Resignation
Mr. V.J. Ananth	March 10, 2008	N/A	Appointment
Mr. Basavakumar E	March 1, 2007	August 24, 2009	Resignation
Mr. Balaji M.G.	February 10, 1998	N/A	Appointment
Mr. Asokan A.R.	October 16, 2008	N/A	Appointment
Mr. Satheesh M.	May 9, 2011	N/A	Appointment
Mr. Chandran P.	May 11, 2011	N/A	Appointment

Payment of Benefits to Officers of Our Company

No officer or other employee of our Company is entitled to any benefit upon termination of his employment in our Company, other than statutory benefits.

Bonus or Profit Sharing Plans for our Key Managerial Personnel

Our Company does not have any bonus or profit sharing plan for the key managerial personnel.

Employee Stock Option Schemes

Our shareholders, vide resolution dated April 23, 2008, have resolved to issue to employees under Kavveri ESOS 2008, employee stock options exercisable into not more than 5,00,000 equity shares of face value of Rs. 10 each, conferring a right upon the employee to apply for one equity share of the Company against each option.

The vesting of options shall take place over a maximum period of three (03) years with a minimum vesting period of one year from the date of grant. The employee stock options granted shall be capable of being exercised within a period of five (05) years from the date of vesting of the options or such lesser period as may be decided by the Compensation Committee from time to time. The exercise price for the purpose of exercise of options shall be Rs. 10 per equity share i.e. at par.

Our Company granted stock options to our key managerial personnel pursuant to the Kavveri ESOS 2008, the details of current outstanding options held are set forth below:

S.No.	Key Managerial Personnel	Number of stock options granted
1.	Ms. C. Uma Reddy	Nil
2.	Mr. V.J. Ananth	3,200
3.	Mr. Balaji M.G.	2,000
4.	Mr. Asokan A.R.	Nil
5.	Mr. Madhwesh K.	Nil
6.	Mr. Satheesh M.	Nil
7.	Mr. Chandran P.	Nil
8.	Mr. Shivkumar G.	2,000

Employees

As on August 31, 2011, our Company had 132 employees on its payroll. For further details on our employees, see the section titled *"**Business**"* of this Preliminary Placement Document.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 applies to us and our employees and requires us to implement a code of internal procedures and conduct for the prevention of insider trading. The Company is in compliance with the same and has implemented an employee insider policy in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992.

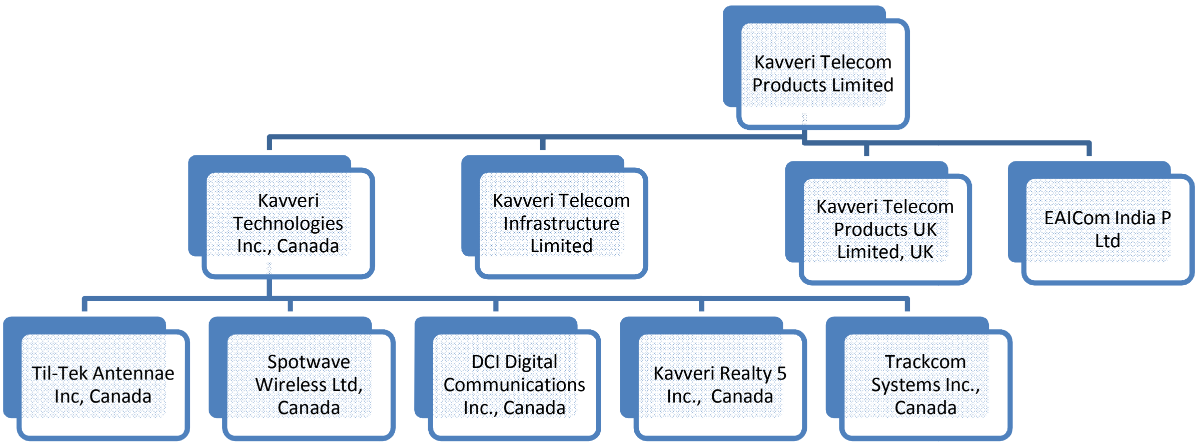
CORPORATE STRUCTURE AND MAJOR SHAREHOLDERS

Pursuant to the scheme of amalgamation of Megasonic Telecoms Private Limited ("**MTPL**") with our Company, sanctioned by the High Court of Bombay and the High Court of Karnataka vide their orders dated January 15, 2004 and September 17, 2004, respectively (the "**Amalgamation Scheme**"), the assets and liabilities of MTPL were transferred to and vested in our Company with effect from July 1, 2003 and accordingly, 49,35,000 Equity Shares of Rs. 10 each were issued at a premium of Rs. 18 in the ratio of 47 Equity Shares of the Company for every two equity shares held by the shareholders of erstwhile MTPL.

Pursuant to the Amalgamation Scheme, Eaicom India Private Limited ("**EIPL**") (wholly owned subsidiary of erstwhile MTPL) became a wholly owned Subsidiary of our Company. The present corporate structure of our Company is set forth in the subsequent sections under this chapter.

Our Subsidiaries

The corporate structure of the Kavveri group is as follows:



Our Company has the following subsidiaries:

S.No.	Subsidiaries	Percentage of Shareholding of our Company as on August 31, 2011 (%)
1.	Eaicom India Private Limited	100
2.	Kavveri Telecom Infrastructure Limited	51
3.	Kavveri Telecom Products UK Limited	100
4.	Kavveri Technologies Inc.	100

Our Subsidiary, Kavveri Technologies Inc., is the holding company of the following companies, which form our indirect subsidiaries:

S.No.	Subsidiaries	Percentage of Shareholding of Kavveri Technologies Inc. as on August 31, 2011 (%)
1.	Til-Tek Antennae Inc.	100

S.No.	Subsidiaries	Percentage of Shareholding of Kavveri Technologies Inc. as on August 31, 2011 (%)
2.	Trackcom Systems International Inc.	67
3.	DCI Digital Communications Inc.	100
4.	Spotwave Wireless Limited	100
5.	Kavveri Realty 5 Inc.	100

Major Shareholders

The Company's shareholding pattern as of September 19, 2011 is as follows:

Category code (I)	Category of shareholder (II)	Number of shareholders (III)	Total number of shares (IV)	Number of shares held in dematerialised form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	Number of shares (VIII)	As a percentage (IX)=(VIII)/(IV)*100
(A)	**Shareholding of Promoter and Promoter Group**							
(1)	Indian							
(a)	Individuals/ Hindu Undivided Family	3	62,70,573	62,70,573	37.17	37.17	13,20,000	21.05
(b)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(c)	Bodies Corporate	-	-	-	-	-	-	-
(d)	Financial Institutions/ Banks	-	-	-	-	-	-	-
(e)	Any Other (specify)	-	-	-	-	-	-	-
	Sub-Total (A)(1)	**3**	**62,70,573**	**62,70,573**	**37.17**	**37.17**	**13,20,000**	**21.05**
(2)	Foreign	-	-	-	-	-	-	-

Category code (I)	Category of shareholder (II)	Number of shareholders (III)	Total number of shares (IV)	Number of shares held in dematerialised form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	Number of shares (VIII)	As a percentage (IX)= (VIII)/(IV)*100
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Any Other (specify)	-	-	-	-	-	-	-
	Sub-Total (A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**3**	**62,70,573**	**62,70,573**	**37.17**	**37.17**	**13,20,000**	**21.05**
(B)	**Public shareholding**							
(1)	Institutions							
(a)	Mutual Funds/ UTI	0	0	0	0	0	0	0
(b)	Financial Institutions/ Banks	1	2,520	2,520	0.01	0.01	-	-
(c)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-
(f)	Foreign Institutional Investors	7	24,71,463	24,71,463	14.65	14.65		

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)= (VIII)/(IV)*100
(g)	Foreign Venture Capital Investors	0	0	0	0	0		
(h)	Any Other (specify)							
	Sub-Total (B)(1)	**8**	**24,73,983**	**24,73,983**	**14.67**	**14.67**		
(2)	Non-institutions							
(a)	Bodies Corporate	228	27,38,297	27,38,296	16.23	16.23		
(b)	Individuals - i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	6,234	21,33,416	20,58,960	12.65	12.65		
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	32	29,33,384	29,33,384	17.39	17.39		
(c)	Any Other (specify)							
	NRI	144	2,45,947	2,45,947	1.46	1.46		
	Clearing Member	81	73,380	73,380	0.43	0.43		
	Trust	-	0	0	0.00	-		
	Sub-Total (B)(2)	**6,719**	**81,24,424**	**80,49,967**	**48.16**	**48.16**		
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**6,727**	**1,05,98,407**	**1,05,23,950**	**62.83**	**62.83**		

Category code (I)	Category of shareholder (II)	Number of shareholders (III)	Total number of shares (IV)	Number of shares held in dematerialised form (V)	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	Number of shares (VIII)	As a percentage (IX)=(VIII)/(IV)*100
	TOTAL (A)+(B)	**6,730**	**1,68,68,980**	**1,67,94,523**	**100.00**	**100.00**	**13,20,000**	**7.83**
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	-	-
	GRAND TOTAL (A)+(B)+(C)	**6,730**	**1,68,68,980**	**1,67,94,523**	**100.00**	**100.00**	**13,20,000**	**7.83**

List of shareholders belonging to the category of 'Promoter' and 'Promoter Group' as of September 19, 2011is as follows:

S. No. (I)	Name of the shareholder (II)	Total shares held		Shares pledged or otherwise encumbered		
		Number (III)	As a % of grand total (A)+(B)+(C) (IV)	Number (V)	As a percentage (VI)=(V)/(III)*100	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a) (VII)
1.	Mr. C. Shivakumar Reddy	23,06,704	13.67	7,20,000	9.54	1.30
2.	Mrs. R.H. Kasturi	22,63,769	13.42	6,00,000	3.56	3.56
3.	Ms. C. Uma Reddy	17,00,100	10.08	0	0.00	0.00
Total		**62,70,573**	**37.17**	**13,20,000**	**13.08**	**4.86**

List of shareholders, other than our Promoters and Promoter Group, holding more than 1% of the paid up capital of the Company as of September 19, 2011is as follows:

S. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Amit Capital and Securities Limited	1,72,000	1.02
2.	Arihant Sharecom Private Limited	1,80,000	1.07

S. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
3.	Aman Limited A/C Amas India Investments	6,50,000	3.85
4.	Afrasia Bank Limited A/C Leman Diversifi	4,28,463	2.54
5.	Taib Securities Mauritius Limited	6,50,000	3.85
6.	India Focus Cardinal Fund	4,00,000	2.37
7.	Mr. Ramakrishna	5,90,000	3.50
8.	Mr. H.R. Naveen	7,00,000	4.15
9.	Mr. Muniraju M.	7,00,000	4.15
Total		**44,70,463**	**26.50**

Details of locked-in shares as of September 19, 2011, are as follows:

S. No.	Name of the shareholder	Category	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Mr. C. Shivakumar Reddy	Promoter	14,50,000	8.60
2.	Mrs. R.H. Kasturi	Promoter	16,50,000	9.78
Total			**31,00,000**	**18.38**

Details of convertible securities issued by the Company as of September 19, 2011 is as follows:

Partly paid-up shares :-	**Number of partly paid-up shares**	**As a % of total no. of partly paid-up shares**	**As a % of total no. of shares of the Company**
Held by Promoter/Promoter Group	-	-	-
Held by Public	-	-	-
Total(D)	**-**	**-**	**-**
Outstanding convertible securities :-	**Number of outstanding securities**	**As a % of total no. of outstanding convertible securities**	**As a % of total no. of shares of the company, assuming full conversion of the convertible securities**
Held by Promoter/Promoter Group	-	-	-
Held by Public	-	-	-
Total(E)	**-**	**-**	**-**

Warrants : -	**Number of warrants**	**As a % of total no. of warrants**	**As a % of total no. of shares of the Company, assuming full conversion of warrants**
Held by Promoter/Promoter Group	2,00,000.00	100.00	1.17
Held by Public			
Total (F)	**2,00,000.00**	**100.00**	**1.17**
Total paid-up capital of the Company assuming full conversion of warrants and convertible securities (A + B + C) + (D + E + F)	**1,70,68,980**	**-**	**-**

Details of depository receipts (DRs) issued by the Company as of September 19, 2011 is as follows:

S. No.	**Type of outstanding DR (ADRs, GDRs, SDRs, etc.)**	**Number of outstanding DRs**	**Number of shares underlying outstanding DRs**	**Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}**
1.	Nil	Nil	Nil	Nil

Details of holding of depository receipts (DRs), where underlying shares are in excess of 1% of the total number of shares, as of September 19, 2011:

S. No.	**Name of the DR Holder**	**Type of outstanding DR (ADRs, GDRs, SDRs, etc.)**	**Number of shares underlying outstanding DRs**	**Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}**
1.	Nil	Nil	Nil	Nil

Details of voting pattern of shareholders where more than one class of shares / securities is issued, as on September19, 2011:

Our Company has not issued shares of different classes. All the shares of our Company rank pari passu to each other.

ISSUE PROCEDURE

*Below is a summary intended to present a general outline of the procedure relating to the bidding and payment for, and Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and the investors are assumed to have apprised themselves of the same from the Company or the Book Running Lead Managers. The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also, see the sections titled "**Distribution and Solicitation Restrictions**" and "**Transfer Restrictions**".*

Qualified Institutions Placement

The Issue is being made in reliance upon Chapter VIII of the ICDR Regulations through the mechanism of Qualified Institutions Placement ("**QIP**") whereunder a listed company may issue and allot 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 on a private placement basis to QIBs provided that:

- a special resolution approving the qualified institutions placement has been passed by the shareholders;
- equity shares of the same class of such company are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the general meeting to consider the proposed QIP; and
- such company complies with the minimum public shareholding requirements set out in the listing agreement(s) with the relevant stock exchange(s).

The Company has applied for and received the in-principle approval of the stock exchanges under Clause 24 (a) of the Listing Agreements, for the listing of the Equity Shares proposed to be issued pursuant to the Issue, on the NSE and the BgSE. The Company has also filed a copy of this Preliminary Placement Document with the NSE and the BgSE.

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.

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

Additionally, there is a minimum pricing requirement under ICDR Regulations. The Issue Price of the Equity Shares shall not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the two weeks preceding the relevant date.

The 'relevant date' referred to above means the date of the meeting in which the board of the company or the committee of directors duly authorized by the board of the company decides to open the Issue and 'stock exchange' means any of the recognized stock exchanges in which the equity shares of the Issuer of the same class are listed and on which the highest trading volume in such equity 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 institutions placement. The equity shares issued pursuant to the qualified institutions placement must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the ICDR Regulations. The placement document is a private document provided to select investors through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors. A copy of the placement document is required to be filed with 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 institutions placement shall not be less than:

- two, where the issue size is less than or equal to Rs.250 crores; and

- five, where the issue size is greater than Rs.250 crores.

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 for this purpose.

The aggregate of the proposed qualified institutions placement and all previous qualified institutions 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 institutions placement shall not be sold for a period of one year from the date of allotment except on a recognized stock exchange in India.

Issue Procedure

1. The Issuer and the Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the Bid cum Application Form, either in electronic form or physical form, to not more than 49 QIBs.

2. The list of QIBs to whom the Bid cum Application Form is delivered shall be determined by the Book Running Lead Managers at their sole discretion. Unless a serially numbered Preliminary Placement Document along with the Bid cum Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIBs. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer will be deemed to have been made to such person.

3. QIBs may submit the Bids through the Bid cum Application Form, including any revisions thereof during the Bidding Period to the Book Running Lead Managers.

4. Once the Bid cum Application Form is submitted by a QIB, such Bid cum Application Form constitutes an irrevocable offer and it cannot be withdrawn after the Bid Closing Date.

5. QIBs will be required to indicate the following in the Bid:

    (a) Full official name of the QIB to whom the Equity Shares are to be Allotted;

    (b) Number of Equity Shares Bid for;

    (c) Price at which they are agreeable to apply for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at the "Cut-off Price" which shall be any price as may be determined by the Issuer in consultation with the Book Running Lead Managers at or above the minimum price calculated in accordance with Regulation 85(1) of the ICDR Regulations (the "**Floor Price**"), which for the Issue is Rs. 134.13; and

    (d) The details of the dematerialized account(s) to which the Equity Shares should be credited.

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

6. Once the Bid cum Application Form is submitted by a QIB, such Bid cum Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. 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 receipt of the Bid cum Application Form.

Upon the receipt of the Bid cum Application Form, the Company shall determine the Issue Price which shall be at or above the Floor Price and the Issue Size in consultation with the Book Running Lead Managers. The Company shall notify the NSE, the BgSE and the BSE of the Issue Price. On determination of the Issue Price, the Book Running Lead Managers will send the CAN to the QIBs who have been Allocated Equity Shares. The dispatch of CAN would be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN is required to contain details like the number of Equity Shares Allocated to the QIB and payment instructions including 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. The Company's decision and that of the Book Running Lead Managers in this regard shall be at the Company's and the Book Running Lead Managers’s sole and absolute discretion.

Pursuant to receiving the CAN, the QIBs would have to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price through electronic transfer for 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. The Company shall not Allot Equity Shares to more than 49 QIBs to whom an invitation or offer has been made.

7. Upon receipt of the application monies from the QIBs, the Company's Board will approve the Allotment of Equity Shares pursuant to a Board resolution and Issue and Allot Equity Shares as per the details in the CAN to the QIBs. The Company will intimate to the Stock Exchanges the details of the Allotment.

8. After receipt of the in-principle listing approval of the Stock Exchanges, the Issuer shall credit the Equity Shares into the depository participant accounts of the respective QIBs.

9. The Issuer shall then apply for the final listing permissions from the NSE and BgSE and final trading approval from the Stock Exchanges.

10. The Equity Shares that have been so credited to the depository participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing approvals from the NSE and the BgSE and final trading approval from the Stock Exchanges.

11. NSE and BgSE shall notify the final listing permissions and the Stock Exchanges shall notify the final trading permissions, which are ordinarily available on their websites, and the Issuer shall communicate the receipt of the final listing permissions from NSE and BgSE and final trading approval from the Stock Exchanges to the QIBs who have received the Allotment. The Issuer shall not be responsible for any delay or non- receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Issuer.

Qualified Institutional Buyers

Only QIBs, as defined Regulation 2(1) (zd) of the ICDR Regulations, are eligible to invest in the Issue. Currently these include:

- public financial institutions as defined in Section 4A of the Companies Act;
- scheduled commercial banks;
- mutual funds registered with SEBI (“**Mutual Funds**”);
- a foreign institutional investor and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- multilateral and bilateral development financial institutions;
- venture capital funds registered with SEBI;
- foreign venture capital investors registered with SEBI;
- state industrial development corporations;

- insurance companies registered with the Insurance Regulatory and Development Authority of India;
- provident Funds with minimum corpus of Rs.25 crores;
- Pension Funds with minimum corpus of Rs.25 crores;
- National Investment Fund set up by the Government of India;
- Insurance funds set up and managed by army, navy or air force of the Union of India; and
- Insurance funds set up and managed by the Department of Posts, India

FIIs are permitted to participate through the Portfolio Investment Scheme ("PIS") in this Issue. FIIs are permitted to participate in the QIP subject to compliance with all applicable laws and such that the shareholding of the FIIs does not exceed specified limits as prescribed under applicable laws in this regard.

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue issued capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. FII holding in the Company cannot exceed 24% of the total issued capital of the Company. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the concerned Indian company by passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

Under Regulation 86 of Chapter VIII of the ICDR Regulations, no allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our Promoter or any person related to our Promoter(s). QIBs which have all or any of the following rights shall be deemed to be persons related to Promoter(s):

a) rights under a shareholders' agreement or voting agreement entered into with our Promoters or persons related to our Promoters;

b) veto rights; or

c) right to appoint any nominee director on the Board.

The Issuer and the Book Running Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. 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.

A minimum of 10% of the Equity Shares in this Issue shall be allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be allotted to other QIBs.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Note: Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.

Bidding

Bid cum Application Form

QIBs shall only use the specified and serially numbered Bid cum Application Form supplied by the Book Running Lead Managers 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 and the Placement Document.

By making a Bid (including revisions thereof) for Equity Shares pursuant to the terms of this Preliminary Placement Document, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under *"Transfer Restrictions*":

1. The QIB confirms that it is a Qualified Institutional Buyer in terms of Regulation 2(1)(zd) of the ICDR Regulations 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 of the Issuer;

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 Issuer other than that acquired in the capacity of a lender, 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 this Issue, the QIB shall not, for a period of one year from Allotment, sell the Equity Shares so acquired except on the floor of Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply for and hold Equity Shares so Allotted 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. The onus of determining the eligibility of the QIB to apply for and hold the Equity Shares rests entirely upon such QIB and neither the Company nor the Book Running Lead Managers accept any responsibility or liability in this regard;

7. The QIB confirms that the Bid would not eventually result in triggering a tender offer under the Takeover Code; and

8. The QIB confirms 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 derive meaning from 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 (c) of Regulation 2 of the Takeover Code.

9. The QIBs shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing permissions from NSE and BgSE and final trading approval from the Stock Exchanges are issued by the Stock Exchanges.

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.

Demographic details such as address and bank account will be obtained from the Depositories as per the depository participant account details given above.

The submission of a Bid cum Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer by the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by the Company in favour of the QIB.

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 applied for. The Bid cum Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at the following address:

Name: Enam Securities Private Limited
Address: 801, Dalamal Tower, Nariman Point, Mumbai - 400 021, India
Contact Person: Mr. G. Venkatesh
Email: venkatesh@enam.com
Phone: +91 22 6638 1800

Name: Saffron Capital Advisors Private Limited
Address: A 102, Everest Grande, Mahakali Caves Road, Andheri (E), Mumbai – 400 093, Maharashtra, India
Contact Person: Mr. Amit Wagle
Email: projectriver@saffronadvisor.com
Phone: + 91 22 4082 0917

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB should mention its PAN. The copy of the PAN card is required to be submitted with the Bid cum Application Form. Bids without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that the applicant should not submit the General Index Registrar ("GIR") number or any other identification number instead of the PAN as the Bid cum Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Bids (including any revisions) through the Bid cum Application Form within the Bidding Period to the Book Running Lead Managers who shall maintain the Book.

Price discovery and Allocation

The Issuer, in consultation with the Book Running Lead Managers, shall finalize the Issue Price for the Equity Shares which shall be at or above the Floor Price.

After finalization of the Issue Price, the Issuer shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges and SEBI as the Placement Document.

Method of Allocation

The Issuer shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VIII of the ICDR Regulations.

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 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 ISSUER AND THE BOOK RUNNING LEAD MANAGERS 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 ISSUER AND THE BOOK RUNNING LEAD MANAGERS AND QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE ISSUE PRICE. NEITHER THE ISSUER NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The maximum number of Allottees of Equity Shares shall not be greater than 49. The minimum number of Allottees in the Issue shall not be less than:

(a) two, where the issue size is less than or equal to Rs.250 crores;

(b) five, where the issue size is greater than Rs.250 crores.

Provided that no single allottee shall be allotted more than 50% of the aggregate amount of the Issue.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes 'same group' or 'common control' see "***Application Process – Bid cum Application Form***".

Bidding – Bid cum Application Form.

The maximum number of Allottees of the Equity Shares shall not be greater than 49. Further, the Equity Shares will be Allotted within twelve months from the date of the shareholder resolution approving the Issue.

CAN

Based on the Bid cum Application Forms received, the Company and the Book Running Lead Managers may, in their sole and absolute discretion, decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date (the "**Designated Date**"), being the date of credit of the Equity Shares to the QIB'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 along with the serially numbered CAN.

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 Book Running Lead Managers 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, EACH SUB-ACCOUNT OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

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

QIBs ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOCATED/ALLOTTED TO THEM PURSUANT TO THIS ISSUE.

Bank Account for Payment of Application Money

The Issuer has opened a special bank account (the "**Bank Account**") with Axis Bank Limited (the "**Payment Collection Bank**") in terms of the arrangement between the Issuer 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 favouring the Bank Account within the time stipulated in the CAN, the application of the QIB, the Bid cum Application Form and the CAN is liable to be cancelled.

In case of cancellations or default by the QIBs, the Company and the Book Running Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to compliance with the requirement of ensuring the Bid cum Application Forms and CANs are sent to not more than 49 QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of "Kavveri Telecom Products Limited QIP Special Account" as per the payment instructions provided in the CAN.

QIBs may make payment through electronic fund transfer.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted to a QIB unless such QIB pays the Issue Price to the Bank Account as stated above.

2. In accordance with the ICDR Regulations, Equity Shares will be issued and the 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.

3. The Issuer reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

4. Post Allotment and credit of Equity Shares into the QIBs depository participant account, the Issuer would apply for listing permissions from NSE and BgSE and final trading approval from the Stock Exchanges.

5. The Payment Collection Bank shall not release the monies lying to the credit of the Account to the Company until such time as the Company delivers to the Payment Collection Bank the approval of the NSE and the BgSE for the final listing and trading and the BSE for the trading of the Equity Shares offered in this Issue.

6. In the unlikely event of any delay in the Allotment or credit of Equity Shares or receipt of trading or listing approvals, or of cancellation of the Issue, no interest or penalty would be payable by the Issuer.

7. The Bank shall not release the monies lying to the credit of the Bank Account to us, until such time as we deliver to the Bank documentation regarding the approval of the Stock Exchanges, for the listing and/or trading of the Equity Shares.

Submission to SEBI

After finalization of the Issue Price, the Issuer shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document, and will submit the same to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Our Right to Reject Bids

The Issuer, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of the Issuer and the Book Running Lead Managers in relation to the rejection of a Bid shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

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

1. A QIB applying for Equity Shares must have at least one beneficiary account with either of the depository participant of either NSDL or CDSL prior to making the Bid.

2. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the depository participant) of the QIB.

3. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. NSE and BgSE where our Equity Shares are proposed to be listed and the Stock Exchanges where our Equity Shares are proposed to be traded have electronic connectivity with CDSL and NSDL.

4. The trading of the Equity Shares of the Issuer would be in dematerialized form only for all QIBs in the demat segment of the respective stock exchanges.

5. The Issuer 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

Placement Agreement

On October 10, 2011, the Book Running Lead Managers entered into a placement agreement with the Company, (the "**Placement Agreement**") pursuant to which the Book Running Lead Managers have agreed to place on a best efforts basis up to such number of the Company's Equity Shares, the aggregate subscription amount of which shall be up to Rs. [●] lakhs, to QIBs, pursuant to Chapter VIII of the ICDR Regulations, outside the United States in reliance on Regulation S under the Securities Act.

The Placement Agreement provides that the obligations of the Book Running Lead Managers to participate in this Issue are subject to the approval of certain legal matters by the counsels to the Book Running Lead Managers and to the other conditions contained in the Placement Agreement. The Placement Agreement also provides that we will indemnify the Book Running Lead Managers against certain liabilities including liabilities under securities laws. Application shall be made to list the Equity Shares on NSE and BgSE 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. 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.

The Book Running Lead Managers and its respective affiliates may engage in transactions with, and perform services for, the Company and its Subsidiary(s) in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Company, for which they have received, and may in the future receive, customary compensation.

Lock-up

The Company has undertaken that it will not for a period of 90 days from the date of Allotment, without the prior written consent of the Book Running Lead Managers, directly or indirectly, (a) offer, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Promoter Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the undersigned), or file any registration statement under the U.S. Securities Act of 1933, as amended, with respect to any of the foregoing; or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of the ownership of the Promoter Shares or any securities convertible into or exercisable or exchangeable for Promoter Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise); or (c) deposit Promoter Shares with any other depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Promoter Shares in any depositary receipt facility or; (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided, however, that the foregoing restrictions do not apply to (i) any sale, transfer or disposition of Promoter Shares to the extent such sale, transfer or disposition is required by Indian law and (ii) as a result of enforcement of existing pledges of Promoter Shares in effect as of the date of the Placement Agreement. The foregoing restrictions shall not apply to (i) any sale, transfer or disposition of Promoter Shares to the extent such sale, transfer or disposition is required by Indian law and (ii) as a result of enforcement of existing pledges of Promoter Shares made (iii) the issuance of convertible warrants to Promoters and Promoter Group (iv) the issuance of Equity Shares upon conversion of the convertible warrants (v) the issuance of any Equity Shares pursuant to the Issue.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

Certain Distribution and Solicitation Restrictions

The distribution of this Preliminary Placement Document and the offer, sale and delivery of the Equity Shares pursuant hereto 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 authorised or permitted.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares issued pursuant to this Issue to occur in any jurisdiction, or the possession, circulation or distribution of this Preliminary Placement Document or any other offering materials relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares issued pursuant to this Issue may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with such Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable ICDR Regulations. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described under the section titled "***Transfer Restrictions***" of this Preliminary Placement Document.

India

The Preliminary Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India and the Equity Shares will not be offered or sold, directly or indirectly, to the public or any members of the public in India or any other class of investors other than QIBs.

Australia

This Preliminary Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "**Australian Corporations Act**"), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this Preliminary Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Preliminary Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this Preliminary Placement Document.

Bahrain

All applications for investment should be received, and any allotments should be made, in each case from outside Bahrain. This Preliminary Placement Document has been prepared for private information purposes of intended investors only who will be high net worth individuals and institutions. The Company has not made and will not make any invitation to the public in the Kingdom of Bahrain and this Preliminary Placement Document will not be issued, passed to, or made available to the public generally. The Bahrain Monetary Agency ("**BMA**") has not reviewed, nor has it approved, this Preliminary Placement Document or the marketing of Equity Shares in the Kingdom of Bahrain. Accordingly, Equity Shares may not be offered or sold in Bahrain or to residents thereof except as permitted by Bahrain law.

Cayman Islands

No offer or invitation to purchase Equity Shares may be made to the public in the Cayman Islands.

Cyprus

This Preliminary Placement Document does not constitute a prospectus under Cyprus law or regulation and as such it will not be publicly distributed or marketed in Cyprus. This Preliminary Placement Document has not been filed or approved by the Cyprus Securities and Exchange Commission or any other Cypriot regulatory authority as this Preliminary Placement Document has not been prepared in the context of a public offering of securities in Cyprus within the meaning of the Cyprus law on public offerings and prospectuses or any executive orders issued in connection thereto.

Dubai International Financial Centre

The Preliminary Placement Document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). The Preliminary Placement Document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with exempt offers. The DFSA has not approved this Preliminary Placement Document nor taken steps to verify the information set forth herein and has no responsibility for this Preliminary Placement Document. The Equity Shares to which this Preliminary Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered pursuant to this Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Preliminary Placement Document you should consult an authorized financial advisor.

European Economic Area

Each of the Book Running Lead Managers, severally and not jointly, has represented and warranted that, in relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each a Relevant Member State), it has not made and will not make an offer of the Equity Shares to the public in that Relevant Member State, except that an offer of the Equity Shares to the public in that Relevant Member State may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State: (i) to persons or legal entities which are 'qualified investors' within the meaning of Article 2(1)(c) of the Prospectus Directive; (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive), subject to obtaining the prior consent of the Book Running Lead Managers for any such offer; or (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or the Book Running Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

France

This Preliminary Placement Document has not been prepared in the context of a public offering of securities in France (*appel public à l'épargne*) within the meaning of Article L.411-1 of the French Code *monétaire et financier* and Articles 211-1 and seq. of the *Autorité des marchés financiers* ("**AMF**") Regulations and has therefore not been submitted to the AMF for prior approval or otherwise. The Equity Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this Preliminary Placement Document nor any other offering material relating to the Equity Shares has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except only to qualified investors (as defined in Articles L.411-2 and D411-1 of the French Code *monétaire et financier*) on the conditions that no such Preliminary Placement Document nor other offering material relating to the Equity Shares shall be passed by them onto any person nor reproduced (in whole or in part). Such qualified investors are notified that they must act in that connection for their own account in accordance with the terms set out by Article L.411-2 of the French Code *monétaire et financier* and by Article 211-4 of the AMF General Regulations and may not re-transfer, directly or indirectly, the securities in France, other than in compliance with applicable laws and regulations and in particular those relating to public offering (which are in particular embodied in Articles L.411-1, L.411-2, L.412-1 and L.621-8 and seq. of the French Code *monétaire et financier*).

Germany

This Preliminary Placement Document has not been prepared in accordance with the requirements for a sales prospectus under the German Securities Prospectus Act *(Wertpapierprospektgesetz),* the German Sales Prospectus Act *(Verkaufsprospektgesetz),* the German Investment Act *(Investmentgesetz)* or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. Neither the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin)* nor any other German authority has been notified of the intention to distribute the Equity Shares in Germany. The Equity Shares may therefore not be sold or distributed in the Federal Republic of Germany by way of public offering, public advertising or in a similar manner. The Equity Shares will not be admitted to trading on an organised market situated or operating in the Federal Republic of Germany. Any resale of the Equity Shares in the Federal Republic of Germany may only be made in accordance with the provisions of the Securities Prospectus Act and any other laws applicable in the Federal Republic of Germany concerning the sale and offering of securities. The Equity Shares are being offered and sold in Germany only to (i) qualified investors in the meaning of Section 3, paragraph 2, no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, or (ii) a limited number (less than 100) of individualised, unqualified investors that are being pre-selected and specifically addressed. This Preliminary Placement Document is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Hong Kong

No Equity Shares may be offered or sold in Hong Kong, by means of this Preliminary Placement Document or any other document, other than (a) to "professional investors" as defined in the Equity Shares and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been or will be issued other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Ireland

The Equity Shares may be publicly offered and sold in Ireland only in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations 1992, as amended, if applicable, the Investment Intermediaries Act 1995, as amended, the Companies Acts 1963 to 2003 and all other applicable Irish laws and regulations. This Preliminary Placement Document does not constitute an offer to the public in Ireland by virtue of the fact that it shall only be made to persons in Ireland whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) and, accordingly, has not been registered with the Registrar for Companies in Ireland. By accepting delivery of this Preliminary Placement Document, the addressee in Ireland warrants that it is a person whose ordinary business, whether as principal or agent, is to buy and sell shares and debentures. This Preliminary Placement Document does not and shall not be deemed to constitute an invitation to individuals (i.e. natural persons) in Ireland to purchase Equity Shares. There will be no offering to the public in Ireland of the Equity Shares and this

Preliminary Placement Document does not constitute a prospectus within the meaning of the Irish Companies Acts 1963 to 2003.

Italy

The offering of the Equity Shares has not been registered pursuant to the Italian securities legislation and, accordingly, the Book Running Lead Managers represent and agree that they have not offered or sold, and will not offer or sell, any Equity Shares in the Republic of Italy in a solicitation to the public, and that sales of the Equity Shares in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Each of the Book Running Lead Managers has represented and agreed that they will not offer, sell or deliver any Equity Shares or distribute copies of any document relating to the Equity Shares in the Republic of Italy except (a) to "Professional Investors", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended ("**CONSOB Regulation No. 11522**"), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Italian Financial Act**"); or (b) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under the Italian Financial Act or Regulation No. 11971 of 14 May 1999, as amended.

Any such offer, sale or delivery of the Equity Shares or any document relating to the Equity Shares in the Republic of Italy must be: (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended, the Italian Financial Act, CONSOB Regulation No. 11522 and any other applicable laws and regulations; and (ii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Investors should also note that, in any subsequent distribution of the Equity Shares in the Republic of Italy, Article 100-bis of the Italian Financial Act may require compliance with the law relating to public offers of securities. Furthermore, where the Equity Shares are placed solely with professional investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Equity Shares who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the Equity Shares were purchased, unless an exemption provided for under the Italian Financial Act applies.

Jordan

The Preliminary Placement Document has not been and will not be filed with the Jordanian Securities Commission. The Preliminary Placement Document has not been and will not be distributed, and offers to sell, and sales of the Equity Shares will not be made to more than 30 Jordanian residents. This Preliminary Placement Document may not be used for a public offering in Jordan of the Equity Shares. Offers of the Equity Shares are being made from outside Jordan on a private one-on-one basis to pre-identified potential investors in Jordan by persons who are not residents within Jordan and accordingly no registration local prospectus filing and local agent requirements apply. This Preliminary Placement Document is strictly for private use by its holder and may not be passed on to third parties or parties otherwise distributed publicly.

Korea

The Equity Shares have not been registered under the Korean Securities and Exchange Law, and the Equity Shares acquired in connection with the distribution contemplated hereby may not be offered or sold, directly or indirectly, in Korea or to or for the account of any resident thereof, except as otherwise permitted by applicable Korean laws and regulations, including, without limitation, the Korean Securities and Exchange Law and the Foreign Exchange Transaction Laws.

Kuwait

This Preliminary Placement Document is not for circulation to the public in Kuwait. The Equity Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Equity Shares in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Kuwait Decree Law No. 31 of 1990 (as amended) and Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Equity Shares is being made in Kuwait, and no agreement relating to the sale of the Equity Shares shall be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in Kuwait.

Luxembourg

The Equity Shares offered in this Preliminary Placement Document may not be offered, sold or delivered to the public within the Grand Duchy of Luxembourg. This Preliminary Placement Document is only intended for institutional investors. It is personal to each offeree and does not constitute an offer to any other person or to the public generally in Luxembourg to subscribe for or otherwise acquire the Equity Shares. Distribution of this Preliminary Placement Document to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized and any disclosure of any of its contents, without prior written consent of the Company, is prohibited.

Malaysia

No approval of the Securities Commission of Malaysia has been or will be obtained in connection with the offer and sale of the Equity Shares in Malaysia nor will any prospectus or other offering material or document in connection with the offer and sale of the Equity Shares be registered with the Securities Commission of Malaysia. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia.

Mauritius

The Equity Shares may not be offered or sold, directly or indirectly, to the public in Mauritius. Neither this Preliminary Placement Document nor any offering material or information contained herein relating to the offer of the Equity Shares may be released or issued to the public in Mauritius or used in connection with any such offer. This Preliminary Placement Document does not constitute an offer to sell the Equity Shares to the public in Mauritius. This Preliminary Placement Document is not a 'prospectus' as defined under the Companies Act 2001.

Netherlands

The Equity Shares may only be offered, sold or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which trade or invest in securities in the conduct of a profession or trade (which includes, but is not limited to, banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises).

New Zealand

This Preliminary Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "**New Zealand Securities Act**"). This Preliminary Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act ("**Habitual Investors**"). By accepting this Preliminary Placement Document, you represent and warrant that if you receive this Preliminary Placement Document in New Zealand you are a Habitual Investor and you will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

Norway

This Preliminary Placement Document has not been approved by or registered with any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act 1997. Accordingly, neither this Preliminary Placement Document nor any other offering material relating to the Equity Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act 1997 and is only made to qualified professional investors pursuant to the Norwegian Regulation of December 9, 2005 regarding exemption from the obligation to publish a prospectus or otherwise only in circumstances where an exemption from the obligation to publish a prospectus under the Norwegian Securities Trading Act 1997 is available.

Oman

This Preliminary Placement Document, and the Equity Shares to which it relates, may not be advertised, marketed, distributed or otherwise made available to any person in Oman without the prior consent of the Capital Market Authority ("**CMA**") and then only in accordance with any terms and conditions of such consent. In connection with the offering of Equity Shares, no prospectus has been filed with the CMA. The offering and sale of Equity Shares described in this Preliminary Placement Document will not take place inside Oman. This Preliminary Placement Document is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may neither be reproduced, used for any other purpose, nor provided to any other person than the intended recipient hereof.

Qatar

The Equity Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Preliminary Placement Document has not been reviewed or registered with Qatari Government Authorities, whether under Law No. 25 (2002) concerning investment funds, central bank resolution No. 15 (1997), as amended, or any associated regulations. Therefore, this Preliminary Placement Document is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may not be reproduced or used for any other purposes, nor provided to any person other than recipient thereof.

Saudi Arabia

This Preliminary Placement Document may not be distributed in Saudi Arabia except to the extent permitted under the rules governing exempt offers as set forth in the offers of securities regulations. It should not be distributed to any other person, or relied upon by any other person.

Singapore

Each of the Book Running Lead Managers has acknowledged that this Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Book Running Lead Managers has represented and agreed that they have not offered or sold any Equity Shares issued pursuant to this Issue or caused such Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell such Equity Shares issued pursuant to this Issue or cause such Equity Shares to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, this Preliminary Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Equity Shares issued pursuant to this Issue, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where Equity Shares in this Issue are subscribed or purchased under Section 275 by a relevant person which is:

a. a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
(ii) where no consideration is or will be given for the transfer;
(iii) where the transfer is by operation of law; or
(iv) as specified in Section 276(7) of the SFA.

Spain

This Preliminary Placement Document has not been registered with the *Comisión National del Mercado de Valores*, and therefore a public offer for sale of the Equity Shares will not be promoted in the Kingdom of Spain. The Equity Shares may not be offered or sold in the Kingdom of Spain, except in accordance with the requirements of the Spanish securities market law (ley 24/1998, de 28 de julio, *del Mercado de valores*), as amended, and Royal Decree 1310/2005, which partially develops the Securities Market Law, on admission to trading, public offerings and prospectus (RD 1310/2005, *por el que se desarrolla parcialmente la Ley del Mercado de Valores en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended, and the decrees and regulations issued thereunder.

Switzerland

The Preliminary Placement Document does not constitute an issue prospectus pursuant to Art. 652a of the Swiss Code of Obligations. The Equity Shares will not be listed on the SWX Swiss Exchange and, therefore, the Preliminary Placement Document does not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. Accordingly, the Equity Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe the Equity Shares with a view to distribution to the public. The investors will be individually approached by the Book Running Lead Managers.

The Preliminary Placement Document is personal to each offeree and does not constitute an offer to any other person. The Preliminary Placement Document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distribute to the public in or from Switzerland.

United Arab Emirates

The Preliminary Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "**UAE**"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. The Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. The Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom (in addition to European Economic Area restrictions, above)

The Equity Shares cannot be promoted in the United Kingdom to the general public. The contents of this Preliminary Placement Document have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"). The Book Running Lead Managers (a) may only communicate 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 FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in
Equity Shares in, from or otherwise involving, the United Kingdom.

United States

The Equity Shares issued pursuant to this Issue have not been and will not be registered under the Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable U.S. state securities laws.

The Equity Shares issued pursuant to this Issue are being offered and sold only to QIBs (as defined in the ICDR Regulations) outside the United States in reliance on Regulation S under the Securities Act.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares issued pursuant to this Issue within the United States by any dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act. See the section titled "*Transfer Restrictions*".

TRANSFER RESTRICTIONS

Subscribers of the Equity Shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of Allotment except through the Stock Exchanges.

Subject to the foregoing, each purchaser acquiring Equity Shares issued pursuant to this Issue, and each person, if any, for whose account or benefit such purchaser is acquiring Equity Shares or any interest therein, by such purchaser's acceptance of this Preliminary Placement Document or of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with the Company and the Book Running Lead Managers that such purchaser has received a copy of this Preliminary Placement Document and such other information as such purchaser and each other such person deems necessary to make an informed investment decision, and that such purchaser and each other such person:

(1) is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

(2) acknowledges that the Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States;

(3) was and is, at each time any offer of Equity Shares was or is made to such purchaser or other person and at each time such purchaser's or other person's buy order for Equity Shares was or is originated, outside the United States (within the meaning of Regulation S); is purchasing Equity Shares in a transaction meeting the requirements of Regulation S; and is not purchasing Equity Shares or any interest therein for the account or benefit of any person in the United States and has not entered into any arrangement for the transfer of Equity Shares or any interest therein to any person in the United States;

(4) is not an affiliate of the Company or a person acting on behalf of such an affiliate;

(5) if, in the future, such purchaser or other person decides to offer, resell, pledge or otherwise transfer Equity Shares or any interest therein, acknowledges that such Equity Shares or any interest therein may be offered, resold, pledged or otherwise transferred only in accordance with all applicable laws, including the securities laws of the United States and the securities laws of all relevant states of the United States;

(6) if such purchaser or other person is acquiring any Equity Shares as a fiduciary or agent for one or more accounts or any other persons, 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 and person;

(7) acknowledges that the Company will not recognize any offer, resale, pledge or other transfer of Equity Shares made other than in compliance with the restrictions stated herein; and

(8) acknowledges that the Company, the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements are no longer accurate, such purchaser or other person will promptly notify the Company.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the NSE, BgSE and the BSE, and has not been prepared or independently verified by the Company or the Book Running Lead Managers or any of their respective affiliates or advisers.

The Indian Securities Market

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

Stock Exchange Regulations

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

The SEBI Act grants the SEBI powers to protect the interests of investors in securities and to promote the development of, and to regulate the business of, Indian securities markets, including stock exchanges and other financial intermediaries, promote and monitor self-regulatory organisations, prohibit fraudulent and unfair trade practices and insider trading, and regulate substantial acquisitions of shares and takeovers of companies, call for information, undertake inspections and conduct inquiries and audits of stock exchanges, self-regulatory organisations, intermediaries and other capital market participants. SEBI may direct an exchange to amend its by-laws and rules, overrule an exchange's governing body and withdraw recognition of an exchange. The SEBI has also issued guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buy-backs of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants.

Listing

The listing of securities on a recognised Indian stock exchange is regulated by the Companies Act, the SCRA, the SCR Rules, the SEBI Act and various guidelines issued by the SEBI and the listing agreements of the respective stock exchanges. In particular, the SEBI has issued detailed regulations, through the ICDR Regulations, inter alia, concerning disclosures and investor protection by public companies making a public offering of securities, rights issues, preferential allotments, etc. Under the SCR Rules, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of an issuer's obligations under such listing agreement or for any other reason, subject to the issuer receiving prior notice of the intent of the exchange and upon granting of a hearing in the matter. In the event that a suspension of a company's securities continues for a period in excess of three months, the company may appeal to the Securities Appellate Tribunal ("**SAT**") established under the SEBI Act to set aside the suspension. The SEBI has the power to veto stock exchange decisions in this regard. The SEBI also has power to amend such listing agreements and the by-laws of the stock exchanges in India.

As per the notification issued by the Ministry of Finance on June 4, 2010 all listed companies must offer and allot at least 25% of each class or kind of equity shares or debentures convertible into equity shares issued by the company, to public in terms of an offer document; or , offer and allot at least 10% of each class or kind of equity shares or debentures convertible into equity shares by the company, to public in terms of an offer document if the post issue capital of the company calculated at offer price is more than Rs. 4000 crores, provided that such company shall bring the public shareholding to the level of 25% by increasing its public shareholding to the extent of at least 5% per annum. Provided further that such company may increase its public shareholding by less than 5%. in a year if such increase brings its public shareholding to the level of 25% in that year.

Failure to comply with this clause requires the listed company to delist its shares pursuant to the terms of SEBI (Delisting of Equity Shares) Regulations, 2009 ("***Delisting Regulations***") in relation to the delisting of securities from the stock exchanges.

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers for most stocks, which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement: at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place varying individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Delisting

A listed company can be delisted under the provisions of the Delisting Regulations, as amended, which govern voluntary and compulsory delisting of shares of Indian companies from the Indian stock exchanges. The Delisting Regulations have been recently notified on June 10, 2009, which replaces the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003.

A company may be delisted through voluntary delisting or compulsory delisting by the stock exchange(s) concerned.

A company (whose shares of a class have been listed for a minimum period of three years on any stock exchange) may voluntarily delist its shares of that class from the Indian stock exchanges. A company may voluntarily delist its equity shares from one or more recognised stock exchanges where they are listed and continue their listing on one or more other recognised stock exchanges. A company desirous of delisting its equity shares from all the recognised stock exchanges where they are listed shall do so after obtaining in-principle approval from the concerned recognised stock exchange(s) and by providing an exit opportunity to the public shareholders (i.e. shareholders other than the promoters and parties acting in concert with the promoters) (the "**Delisting Offer**"). This exit opportunity involves a price discovery process known as the "book building process". A Delisting Offer can be launched by any promoter or acquirer desirous of delisting the company's securities. This process is undertaken by a registered merchant banker (i.e. investment banker) on behalf of the promoters. The appointment of a merchant banker is a mandatory requirement under the Delisting Regulations. The Delisting Offer, however, needs to be supported by a resolution passed by the Board. Further, a resolution has to be approved by three-quarters of the shareholders of the listed company, through postal ballot is also required. However, the special resolution should 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. Further, the above mentioned in-principle approval from the concerned recognised stock exchange(s) has to be obtained after the shareholders' approval. Following the in-principle approval, the promoter or acquirer would issue a public announcement (i.e. a public notice) in relation to the Delisting Offer. This is typically construed as the date on which the Delisting Offer is launched. The offer price shall be determined through book building, after fixation of the floor price and disclosure of the same in the public announcement and the letter of offer. The floor price shall be determined in the manner below:

(i) Where the equity shares are frequently traded in all the recognised stock exchanges where they are listed, the average of the weekly high and low of the closing prices of the equity shares of the company during the 26 weeks or two weeks preceding the date on which the recognised stock exchanges were notified of the board meeting in which the delisting proposal was considered, whichever is higher;

(ii) For infrequently traded shares, the floor price will be determined by taking into account the following factors:

  (a) the highest price paid for the equity shares of the class sought to be delisted by the promoter for acquisitions, including by way of allotment in a public or rights issue or preferential allotment, during the 26-week period prior to the date on which the recognised stock exchanges were notified of the board meeting in which the delisting proposal was considered and after that date, up to the date of the public announcement; and

(b) other parameters, including return on net worth, book value of the shares of the company, earnings per share and price earnings multiple vis-à-vis the industry average.

(iii) Where the equity shares are frequently traded in some stock exchanges and infrequently traded in some other stock exchanges, the highest prices arrived at in accordance with (i) and (ii) above.

A company may also be compulsorily delisted by the stock exchange due to any acquisition of shares of the company or other arrangement or consolidation of holdings which results in the public shareholding of the company falling below the minimum level specified in the listing conditions or in the listing agreements.

The Delisting Regulations permit stock exchanges to delist the securities of companies that have not complied with the relevant provisions of the SCRA after giving the company a reasonable opportunity of being heard. The Delisting Regulations 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 persons appointed by the stock exchange out of a panel of experts, which shall also be selected by the stock exchange. If a listed company is delisted by the stock exchange, the listed company may file an appeal before the SAT against the stock exchange's decision.

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 ICDR Regulations and be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated. A company's directors and promoters may be subject to civil and criminal liability for misstatements in a prospectus. The Companies Act, along with the ICDR Regulations, 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. Pursuant to the provisions of the SEBI Act, the SEBI has issued detailed regulations concerning disclosures by public companies and to further investor protection. The ICDR Regulations permit companies to freely price their issues of securities.

All companies, including public limited companies, are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts which comply with the disclosure requirements of the Companies Act and regulations governing their manner of presentation, which include, as per the provisions of the listing agreement, sections pertaining to corporate governance, related party transactions and management's discussion and analysis. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements subject to a limited review by its auditors on a quarterly basis, and is required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Companies Act further requires mandatory compliance with several accounting standards issued by the Institute of Chartered Accountants of India.

The ICAI and the SEBI have implemented changes which require Indian companies to account for deferred taxation, consolidate their accounts (subsidiaries only), to provide segment-wise reporting and disclosure of related party transactions from April 1, 2001 and accounting for investments in affiliated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets.

The ICAI has recently announced that all listed companies and public interest entities have to comply with International Financial Reporting Standards from April 1, 2011.

Indian Stock Exchanges

There are a number of recognised stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. 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.

BgSE

The BgSe was was established in 1963 and is a self regulatory organisation located in the garden city of India. BgSE launched its own Bangalore Electronic Securities Trading, its on-line trading system on July 29, 1996, the first exchange to do so in the South India. However, with the advent of NSE in 1997, the trading volumes in all the Regional Stock Exchanges dropped significantly and all the exchanges stopped their operations in 2001-02. In order to compensate the loss of business to the trading members of the regional exchanges, SEBI permitted the exchanges to float subsidiary companies and take membership in NSE and BSE, to enable the members to trade. Accordingly, BgSE floated its subsidiary M/s.BgSE Financials Ltd in 2001-02 and acquired membership from NSE and BSE and allowed its members to trade. In 2005, Securities and Exchange Board of India (SEBI) notified and approved a Demutualisation scheme, under which it became mandatory for all stock exchanges to operate as a company limited by shares and where at least 51% of the equity shares were to be held by shareholders other than shareholders with trading rights. BgSE has been proactive in meeting with the new demutualization scheme with a current share holding of 60.4% public and 39.6% members with no individual investor holding more than 5%. The Exchange has 254 members serving the diverse needs of investors. The corporate members constitute more than 45% of the total membership of the Exchange.

NSE

The NSE was established by financial institutions and banks to provide nationwide, online, satellite-linked, screen-based trading facilities for market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

The NSE launched the NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. With a wide network in major metropolitan cities, screen-based trading, a central monitoring system and greater transparency, the NSE has lately recorded high volumes of trading.

In Aug 2011, the average daily traded value of the capital market segment was Rs. 11,203 crore. As of Aug 2011, there were 1,615 listed companies trading on the NSE. As of Aug 31, 2011, the estimated market capitalisation of stocks trading on the NSE was Rs. 59,21,684 crores.

BSE

The BSE, established in 1875, is the oldest stock exchange in India. In 1956 it became the first stock exchange in India to obtain permanent recognition from the Government of India under the SCRA. It has evolved over the years into its present status as the premier stock exchange of India. Recently, pursuant to the SEBI's BSE (Corporatisation and Demutualisation) Scheme, 2005, with effect from August 20, 2005 the BSE has been corporatised and demutualised and is now a company under the Companies Act. The BSE switched over from an open outcry trading system to an online trading network in May 1995 and has today expanded this network to over 347 cities in India.

In Aug 2011, the average daily traded value of the capital market segment was Rs. 2538.13 crore. As of Aug 2011, there were 2991 scrips traded on the BSE. As of Aug 31, 2011, the estimated market capitalisation of stocks trading on the BSE was Rs 6,061,626.13 crores.

Internet-based Securities Trading and Services

The 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. Stockbrokers 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. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Listing Agreements

The Company has entered into Listing Agreements with each of the Indian stock exchanges on which the Company's Equity Shares are listed i.e. the BgSE and the NSE. The Listing Agreements provide that whenever a take-over offer is made or there is any change in the control of the management of the company, the person who secures the control of the management of the company and the company whose shares have been acquired shall comply with the relevant provisions of the Takeover Code. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements on a quarterly basis and to inform stock exchanges immediately of all events which will have a bearing on the performance/operations of the company as well as any stock price-sensitive information.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the "**Takeover Code**"), which prescribes certain thresholds or trigger points that give rise to these obligations. The Takeover Code is under constant review by the SEBI and was last amended on September 23, 2011 (the "**Amendment**"), however the new amendments shall be applicable from the thirtieth day from the date of the Amendment. Since the Company is an Indian listed company, the provisions of the Takeover Code apply to the Company.

The principal features of the Takeover Code are as follows:

- The term 'shares' is defined to mean equity shares or any other security which entitles a person to acquire shares with voting rights but shall not include preference shares.

- Any acquirer (defined as a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert with the acquirer) who acquires shares or voting rights that (taken together with shares or voting rights, if any, held by such person) would entitle the acquirer to more than 5 per cent., 10 per cent., 14 per cent., 54 per cent. or 74 per cent. of the shares or voting rights, as the case may be, in a company is required to disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company's shares are listed within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be. The company in turn is also required to disclose the same to the stock exchanges on which the company's shares are listed. A person who holds more than 15 per cent. of the shares or voting rights in any company is required to make annual disclosure of his holdings as at March 31, to that company within 21 days of the financial year ending March 31). The company is required to, within 30 days from the financial year ending March 31, as well as the record date of the company for the purposes of declaration of divided, make yearly disclosure to each of the stock exchanges on which the company's shares are listed.

Further, a person who, together with persons acting in concert with him, holds 15 per cent or more but less than 55 per cent. of the shares or voting rights in any company is required to disclose any purchase or sale of shares exceeding (in aggregate) 2 per cent. of the share capital of the company (together with the aggregate shareholding after such acquisition or sale) to the company (which in turn is also required to disclose the same to each of the stock exchanges on which the company's shares are listed) and to each of the stock exchanges where the shares of the company are listed within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition, sale or disposal of shares or voting rights. Promoters or persons in control of a company are also required to make periodic disclosure of shares or voting rights held by them along with persons acting in concert, in the same manner as above, annually within 21 days of the end of the financial year as well as from the record date for entitlement to a dividend. The company is also required to disclose annually, the holdings of its promoters or persons in control as on March 31, of the respective year and on the record date fixed for the declaration of dividends to each of the stock exchanges on which its equity shares are listed. An acquirer who, along with persons acting in concert, acquires 15 per cent. (taken together with existing equity shares or voting rights, if any, held by it or persons acting in concert with it) or more of the shares or voting rights of a company would be required to make a public announcement to acquire a further minimum of 20 per cent. of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code. Such offer has to be made to all public shareholders of the company (defined as holders of shareholdings held by persons other than the promoter (as defined under the Takeover Code)).

An acquirer who, together with persons acting in concert with him, holds 15 per cent. or more but less than 55 per cent of the shares or voting rights in a company cannot acquire additional shares or voting rights that would entitle him to exercise more than 5 per cent. of the voting rights, with post acquisition shareholding or voting rights not exceeding 55 per cent., in any financial year ending on March 31 unless such acquirer makes a public announcement offering to acquire a further minimum of 20 per cent. of the shares or voting rights at a price not lower than the price determined in accordance with the Takeover Code.

Any acquisition of additional voting shares or voting rights by an acquirer who, together with persons acting in concert, holds 55 per cent. or more but less than 75 per cent. of the 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 per cent. of the issue size to the public pursuant to Rule 19(2)(b) of the SCR Rules, less than 90 per cent. of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of 20 per cent. of the shares or voting rights which it does not already own in the company; provided however that such acquirer may, notwithstanding whether the acquisition was made under Regulation 10 or Regulation 11(1) of the Takeover Code, without making a public announcement, acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights entitling him to up to 5 per cent. of the voting rights in the company, through open market purchase in the normal segment on the stock exchange but not through bulk deal/block deal/negotiated deal/preferential allotment. Also, if the shareholding or voting rights of such acquirer increases by up to 5 per cent. pursuant to a buyback of shares by the company then this requirement is not triggered. But in any case, the post-acquisition shareholding of the acquirer together with persons acting in concert with him should not increase beyond 75 per cent.

However, 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.

In addition, regardless of whether there has been any acquisition of 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 per cent. of the shares or voting rights which it does not already own in the company.

Where an acquirer who (together with persons acting in concert) holds 55 per cent. or more, but less than 75 per cent, 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 per cent. of the issue size to the public pursuant to Rule 19(2)(b) of the SCR, less than 90 per cent. 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 per cent. 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 laid down in the listing agreement with the stock exchanges.

The open offer for the acquisition of a further minimum of 20 per cent. of shares of the company or such other percentage as prescribed under the Takeover Code has to be made by way of a public announcement which must be made within four working days of entering into an agreement for the acquisition of, or decision to acquire directly, shares or voting rights exceeding the relevant percentages of shareholding in the company and/or control over the company. In the case of an acquirer acquiring securities, including global depository receipts or american depository receipts which, when taken together with the voting rights, if any already held by him or persons acting in concert with him, would entitle him to voting rights, exceeding the percentage specified in Regulation 10 or Regulation 11, the public announcement referred to in sub-regulation (1) shall be made not later than four working days before he acquires voting rights on such securities upon conversion, or exercise of option, as the case may be, provided that in case of american depository receipts or global depository receipts entitling the holders thereof to exercise voting rights in excess of percentage specified in Regulation 10 or Regulation 11 of the Takeover Code, on the shares underlying, such depository receipts, public announcement shall be made within four working days of acquisition of such depository receipts.

Unless otherwise provided in the Takeover Code, an acquirer who seeks to acquire any shares or voting rights whereby the public shareholding in the company would be reduced to a level below the limit specified in the listing agreement with the stock exchange for the purpose of continuous listing may acquire such shares or voting rights only in accordance with the regulations prescribed for delisting of securities by the SEBI. The Takeover Code sets out the contents of the required public announcement 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 by the Takeover Code). In if the shares are frequently traded, then the minimum offer price would 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 the 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 the public announcement, or the average of the daily high and low of the closing 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 the public announcement, whichever is higher.

The Takeover Code permits conditional offers as well as the acquisition and subsequent delisting of all 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 set out. Acquirers making a public offer are also required to deposit into an escrow account a prescribed percentage of the total consideration, which amount will be forfeited in the event that the acquirer does not fulfil its obligations. In addition, the Takeover Code introduces the 'chain principle' by which indirect acquisition by virtue of an acquisition of companies, whether listed or unlisted, whether in India or abroad, of a company listed in India will oblige the acquirer to make a public offer to the shareholders of each such Indian company that is indirectly acquired.

The public open offer provisions of the Takeover Code (subject to certain conditions do not apply, among other things, to certain specified acquisitions, including the acquisition of shares: (i) by allotment in a public and rights issue, subject to the fulfilment of certain conditions; (ii) pursuant to an underwriting agreement; (iii) by registered stockbrokers in the ordinary course of business on behalf of clients; (iv) in unlisted companies (unless such acquisition results in an indirect acquisition of shares in excess of 15 per cent. in a listed company); (v) pursuant to a scheme of reconstruction or amalgamation approved by a court in India or abroad; (vi) pursuant to an inter se transfer between promoters, relatives, or group companies, subject to certain conditions; (vii) pursuant to a scheme under the SICA; (viii) through inheritance on succession; (ix) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to their respective promoters or to other venture capital undertakings; (x) by companies controlled by the Government of India except where such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a State Government; (xi) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; (xii) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code; and (xiii) in terms of guidelines and regulations relating to the delisting of securities as specified by the 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 pledgee. An application may also be filed with the SEBI seeking exemption from the requirements of the Takeover Code. The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers of 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 per cent. but less than 100 per cent. 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 not less than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth. The obligation to make an open offer also does not arise in the case of acquisition of global depository receipts so long as they are not converted into shares carrying voting rights.

Recent amendments to the Takeover Code further empower the SEBI to relax, upon application by a target company, the provisions of Chapter III of the regulations, which pertain to the disclosure and the open offer requirements, in the event the directors of such company have been removed and replaced by the regulatory authorities for the orderly conduct of the affairs of the company and the replaced board has, amongst others, devised a plan for a transparent, open and competitive process for the continued operation of the company in the interests of all stakeholders of the company without furthering the interests of any particular acquirer. In the event the SEBI has granted such relaxation, no competitive bidding is allowed after a bid has been publicly announced by an acquirer.

Recent amendments to the Takeover Code also obligate every promoter and person forming part of the promoter group of a listed company to disclose to the company details of pledge of shares of that company held by such person and the revocation of pledge within seven working days from the date of creation of the pledge or the revocation, as the case may be. The company is further required to disclose such information to all the stock exchanges on which its shares are listed within seven working days of its receipt thereof if, during any quarter ending March, June, September and December of any year, the aggregate number of pledged shares of a promoter or every person forming part of the promoter group (taken together with shares already pledged during that quarter by such promoter or persons) exceeds 25,000 or 1 per cent. of the total shareholding or voting rights of the company, whichever is lower.

However, pursuant to the Amendment coming into force, the Takeover Code shall undergo the following key changes:

a) The initial trigger threshold for open offer has been increased to 25 % from the existing 15 %.
b) There shall be no separate provision for non-compete fees and all shareholders shall be given exit at the same price.
c) In cases of competitive offers, the successful bidder can acquire shares of other bidder(s) after the offer period without attracting open offer obligations.
d) Voluntary offers have been introduced subject to certain conditions.
e) A recommendation on the offer by the board of target company has been made mandatory.

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 book-entry form. The SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 which provide, inter alia, for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by an issuer has the option either to receive the security certificate or hold the securities with a depository.

The National Securities Depository Limited and the Central Depository Services Limited are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India.

Trading of securities in book-entry form commenced in December 1996. In order to encourage "dematerialisation" of securities, the SEBI has set up a working group on dematerialisation of securities comprising foreign institutional investors, custodians, stock exchanges, mutual funds and the National Securities Depository Limited to review the progress of securities and trading in dematerialised form and to recommend scrips for compulsory, dematerialised trading in a phased manner. In January 1998, the SEBI notified scrips of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scrips for all retail investors. The SEBI has subsequently significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. The SEBI has also provided that the issue and allotment of shares in public offers, rights offers or offers for sale after specified dates to be notified from time to time by the SEBI shall only be in dematerialised form and an investor shall be compulsorily required to open a depository account with a participant. Under the Depositories Act, a company shall give the option to subscribers/shareholders to receive the security certificates or hold securities in dematerialised form with a depository.

However, even in the case of scrips notified for compulsory dematerialised trading, investors, other than institutional investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements for reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act, 1996. Charges for opening an account with a depository participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depository participant and have to be borne by the accountholder. Upon delivery, the shares shall be registered in the name of the relevant depository on the company's books and this depository shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depository. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held by a depository.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.1000 lakhs should issue the securities in dematerialised form in accordance with the provisions of the Depositories Act and the Regulations made thereunder.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (the "**Insider Trading Regulations**") have been notified by the SEBI to prohibit and penalise 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 'insider' and 'unpublished' and 'price-sensitive information' are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counseling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who, while in possession of such unpublished price-sensitive information, is prohibited from dealing in securities. The prohibition under the Insider Trading Regulations extends to all persons, including a company dealing in the securities of a company listed on any stock exchange or associate of the latter company, while in the possession of unpublished price-sensitive information. The SEBI amended the Insider Trading Regulations in 2002 to provide certain defences to the prohibition on companies in possession of unpublished price-sensitive information dealing in securities. Pursuant to amendments to the Insider Trading Regulations in November 2008, the definition of the term 'insider' has been broadened to include any person who has received or has had access to unpublished price-sensitive information of the company.

The Insider Trading Regulations provide a model code of conduct and make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct as close to the model code without diluting it in any manner to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise the misuse of such information. The Company has its own Code of Conduct in line with the Insider Trading Regulations.

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 per cent. of the 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 either:

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

Every listed company within two working days of receipt shall disclose the information to all the stock exchanges on which the company is listed.

On a continuing basis, any person who holds more than 5 per cent. of the shares or voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by him and change in shareholding or voting rights, even if such change results in the shareholding falling below 5 per cent., if there has been a change in such holdings from the last disclosure made, provided such change exceeds 2 per cent. of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of either:

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

Further, all directors and officers of a listed company are required to disclose to the company the number of shares or voting rights held and positions taken in derivatives by such person and his dependents (as may be defined by the company) in such company within two working days of becoming a director or officer of such company. All directors and officers are also required to make periodic disclosures of their and their dependants' shareholding in the company, as specified in the Insider Trading Regulations.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to the share capital of the Company, including a brief summary of some of the provisions of the Memorandum and Articles and the Companies Act relating to the rights attached to the Equity Shares of the Company.

General

As on the date of this Preliminary Placement Document, the Company's authorized share capital is Rs. 2,500 lakhs divided into 2,50,00,000 Equity Shares of Rs. 10 each. The issued, subscribed and paid up equity share capital of the Company is divided into 1,68,68,980 equity shares of Rs. 10 each. The entire issued Equity Shares of the Company have been fully paid up. Hence the paid up equity share capital of the Company is Rs. 16,86,89,800.

The security identification codes for the Equity Shares are as follows:

ISIN	INE641C01019
BgSE Code	KAVERITELE
NSE Code	KAVVERITEL
BSE Code	590041

Articles of Association

The Company is governed by its Articles. The last amendment to the Articles was carried out on September 29, 2006 wherein the issue of warrants was included in the Articles of Association. Table A of the Companies Act is not applicable to the Company.

Dividends

Under the Companies Act, unless the board of directors of a company recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Under our Articles, our Company at a general meeting may, subject to the provisions of section 205 of the Companies Act, declare a dividend to be paid to the shareholders according to their respective rights and interest in the profits and may fix the time for payment. Dividends are generally declared as a percentage of the par value. In addition, as is permitted by our Articles, the Board may from time to time pay to the shareholders such interim dividends as in their judgement the position of the Company justifies. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "book closure date" or "record date".

No unpaid or unclaimed dividend shall be forfeited and the same shall be dealt with in accordance with the provisions of Section 205 A of the Companies Act. Further, no dividend will bear any interest against our Company.

Anyone of several persons who are registered as joint holders of any shares may give effectual receipt of all dividends and payments in respect of such shares.

No shareholder shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money be due or owing from him to the company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons, and the board of directors may deduct from the interest or dividend payable to any shareholder all sums of money so due from him to the company.

Under the Companies Act, a company may pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year only after it has transferred to the reserves of the company a percentage of its profits for that year ranging between 2.5% to 10% depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years may not exceed an amount equivalent to 10% of paid-up capital and reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital.

Capitalisation of Profits

The Company in general meeting may resolve that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve account or in the hands of the Company and available for dividend for representing premiums received on the issue of shares and standing to the credit of the share premium account, be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum, provided that a share premium account and a capital redemption reserve account may only be applied in paying of any unissued shares to be issued to shareholders of the Company as fully paid bonus Shares.

Any issue of bonus shares would be subject to the regulations issued by the SEBI in this regard. The relevant SEBI regulations prescribe that no company shall, pending conversion of convertible debt instruments, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible debt instruments, through reservation of shares in proportion to such convertible part of the convertible debt instruments falling due for conversion. The bonus issue shares shall be made out of free reserves built out of the genuine profits or securities premium collected in cash only and reserves created by revaluation of fixed assets shall not be capitalised for the purpose of issuing bonus shares. The bonus issue cannot be made unless the partly-paid shares, if any, are made fully paid- up. Further, for the issuance of such bonus shares a company should not have defaulted in the payment of interest or principal in respect of fixed deposits or debt securities issued by it. The declaration of bonus shares in lieu of a dividend cannot be made. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of its employees, such as contributions to the provident fund, gratuities and/or bonuses. The issuance of bonus shares must be implemented within 15 days from the date of approval by the Board and, where shareholders' approval is required, the issue shall be completed within two months from the date of the meeting of the Board where the decision to announce the bonus issue was taken subject to shareholders' approval.

Alteration of Share Capital

The Company's issued share capital may be, inter alia, increased by the allotment of further shares whether out of unissued share capital or out of increased share capital to the existing shareholders or to any other person in addition to the existing shareholders pursuant to a special resolution in any form or manner.

The Board may from time to time, with the sanction of the Company in a general meeting by ordinary resolution increase, reduce or modify the authorized Share capital of the Company by such sum, to be divided into shares of such amount and of such classes with such rights and privileges attached thereto as the general meeting shall direct by specifying the same in the resolution and if no directions be given as the Board may determine.

General Meetings of Shareholders

In accordance with Section 166 read with Section 210 of the Companies Act, a company must hold its annual general meeting each year within fifteen months of the previous annual general meeting or within six months after the end of each accounting year, whichever is earlier, unless extended by the Registrar of Companies at the request of the company for any special reason. Every member of the company shall be entitled to attend every general meeting either in person or by proxy, and the auditor of the company shall have the right to attend and to be heard at any general meeting on any part of the business which concerns him as auditor.

Written notices convening a meeting setting out the day, place and hour of the meeting and the general nature of the business to be transacted at the meeting must be given to members at least 21 days prior to the date of the proposed meeting in accordance with Section 171 of the Companies Act. A general meeting may be called after giving shorter notice if consent is received from all shareholders entitled to vote at an annual general meeting, or from shareholders holding not less than 95% of the paid-up capital of the company, at any other general meeting.

All businesses transacted at an EGM or an annual general meeting (except declaration of dividend, consideration of accounts, balance sheet, reports of the board and auditors, election of directors in place of those retiring by rotation and appointment of and fixing remuneration of the auditors) shall be deemed to be special businesses in which case an explanatory statement as required under Section 173 of the Companies Act shall accompany the notice of the meeting. No business shall be transacted at any general meeting without the appropriate quorum.

Voting Rights

Subject to the provisions of the Companies Act, votes may be given either personally or by proxy, and in the case of a body corporate, a duly authorized representative under Section 187 of the Companies Act shall be entitled to exercise the same powers on behalf of the corporation as if it were an individual member of the company. On a poll, every member holding equity shares therein shall have voting rights in proportion to his share of the paid-up equity share capital and such a member holding more than one vote need not use all his votes in the same way. In the case of joint holders, any one of such persons may vote at the meeting or may appoint another person as his proxy in respect of such shares.

At any general meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179 of the Companies Act. Unless a poll is so demanded, a declaration by the chairman that resolution has, on a show of hands, been carried unanimously or by a particular majority, or lost and an entry made to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact without proof of the number of proportion of the votes cast in favour of or against that resolution. The chairman of the meeting has a casting vote in addition to the vote or votes to which he is entitled to as a member.

A demand for a poll may be withdrawn at any time by the person or persons who made that demand. A poll demanded on any other question (not being a question relating to the election of the chairman) shall be taken at such time not being later than 48 hours from the time when the demand was made, as the chairman may direct.

A member present by proxy shall be entitled to vote both on show of hands and on a poll and he shall not have the right to speak at the meetings. The Companies Act provides that to amend the Articles a special resolution is required to be passed in a general meeting.

Votes may be given either personally or by proxy or in the case of a body corporate by a representative duly authorized in accordance with Section 187 of the Companies Act. The instrument appointing a proxy is required to be lodged with the company at least 48 hours before the time of the meeting in accordance with Schedule IX of the Companies Act as far as possible. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death or insanity of the principal or revocation or transfer of the share shall have been received by the company at the office before the vote is given. Provided nevertheless that the chairman of the meeting shall be entitled to require such evidence as he may in his discretion think fit, of the due execution of instrument of proxy and that the same has not been revoked. Further no member shall be entitled to exercise any voting right personally or by proxy at any meeting of the company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid in regard to which the company has exercised any right of lien.

Registration of Share Transfers and Register of Members

The Company is required to maintain a register of members wherein the particulars of the members of the Company are entered.

The Board is required to give not less than 7 days previous notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated to close the register of transfer. Under the listing agreements of the Stock Exchanges, the Company may, upon at least 7 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 laid before the annual general meeting. This includes certain financial information about the Company such as the audited financial statements as of the date of closing of the financial year, a corporate governance section and management's discussion and analysis, and is sent to the shareholders of the Company.

Under the Companies Act, a company must file its annual report with the Registrar of Companies within seven months from the close of the accounting year or within 30 days from the date of the annual general meeting, whichever is earlier. As required under the listing agreements with the stock exchanges, copies are required to be simultaneously sent to the stock exchanges. 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 newspaper published in the language of the region where the registered office of the Company is situated.

The Company files certain information on-line, including its annual report, six-month and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by SEBI from time to time.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the 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 the beneficial ownership of shares held through a depository are exempt from stamp duty. The Company has entered into an agreement for such depository services with NSDL and the CDSL.

SEBI requires that the Company's shares for trading and settlement purposes 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 Company shall keep a book called the register of transfer in which every transfer or transmission of shares will be entered. In pursuance of the SEBI guidelines, the Company is required to appoint a share transfer agent.

The shares are freely transferable, subject only to the provisions of the Companies Act, under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it, or the SICA, or any other similar law, the Company Law Board may, on an application made by a company, a depository incorporated in India, an investor, SEBI or other parties, direct a rectification of the register of members. If a company without sufficient cause refuses to register a transfer of shares within two months from the date on which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of the shares. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act, 2002, the Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, which is yet to come into force, the 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.

Pursuant to the Listing Agreements, in the event the Company has not effected the transfer of shares 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 during the period of the delay.

The Companies Act provides that the shares or debentures of a publicly listed company shall be freely transferable. However, the Board may, subject to Section 111A of the Companies Act, at anytime in their discretion by giving reasons decline to register shares on grounds mentioned under the Companies Act. However, this may not be done on the grounds that the transferor is indebted to the Company on any account whatsoever. Notice of such refusal must be sent to the transferee within one month of the date on which the transfer was lodged with the Company.

A transfer may also be by transmission. According to the provisions of Article 89 of the Company, any person becoming entitled to shares in consequence of the death, or insolvency of the holder shall be entitled to the same dividend and other advantages to which he would be entitled if he was the registered holder of the shares, except that he shall not, before being registered as a member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the Company provided that the Board shall, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares if the notice is in not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the shares until the requirements of the notice have been complied with.

Acquisition by the company of its own equity 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 the matter in accordance with the Companies Act and sanctioned by the High Court of Judicature in the city where the company's registered office is located. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company.

However, pursuant to the Companies Act by way of Sections 77A, 77AA and 77B, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of the issue of any shares or other specified securities (other than from the proceeds of an earlier issue of the same kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

(i) the buy-back should be authorized by the articles of the company;
(ii) a special resolution has been passed in the general meeting of the company authorizing the buy-back;
(iii) the buy-back is limited to 25% of the total paid-up capital and free reserves;
(iv) the debt owed by the company is not more than twice the capital and free reserves after such buy-back; and
(v) the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulation, 1998.

The condition mentioned above in (ii) would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorized by the board of directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back and to issue securities for six months. Every buy-back must be completed within a period of one year from the date of passing of the special resolution or resolution of the board, as the case may be.

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 (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of employees of the company) or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act.

Liquidation Rights

Subject to the provisions of the Companies Act (including the rights of employees, the requirement to pay statutory dues and the rights of creditors as contained in Sections 529A and 530 thereof) and the rights of the holders of any other shares entitled by their terms of issue to preferential repayment over the equity shares, in the event of a company's winding-up, the holders of the equity shares are entitled to be repaid the amounts of capital paid up or credited as paid-up on such equity shares or, in the case of a shortfall, proportionately. All surplus assets after payments due to workmen, statutory creditors, and secured and unsecured 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.

Disclosure of Ownership Interest

The provisions of the Companies Act generally require beneficial owners of equity shares in an Indian company (such as the Company) that are not holders of record to declare to that company details of the holder of record and holders of record to declare details of the beneficial owner. Failure to comply with these provisions would not affect the obligations of a company to register a transfer of equity shares or to pay any dividends to the registered holder of any equity shares in respect of which this declaration has not been made, but any person who fails to make the required declaration may be liable for a fine of up to Rs.1, 000 for each day this failure continues.

TAXATION

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

The statement of tax benefits has been certified by Auditors, S.Janardhan & Associates, Chartered Accountants vide their letter dated September 28, 2011. As per the present provisions of Income-tax Act, 1961 (hereinafter referred to as ("the **I.T. Act**") and other laws as applicable for the time being in force in India, the following tax benefits are available to the company and to the shareholders of the company, subject to fulfillment of prescribed conditions:

A. To the company under the Income Tax Act, 1961 ('the **I. T. Act**')

1) Under section 32 of the I.T. Act, the company is entitled to claim depreciation allowance at the prescribed rates on all its tangible and intangible assets acquired and put to use for its business.

2) Under section 10(34) of the Act, dividend income (whether interim or final) received by the company from any other domestic company (in which the company has invested) is exempt from tax in the hands of the company.

3) The income received by the company from distribution made by any mutual fund specified under section 10(23D) of the I.T.Act or from the Administrator of the specified undertaking or from the specified companies referred to in section 10(35) of the I.T. Act is exempt from tax in the hands of the company under section 10(35) of the Act.

4) Under section 10(38) of the Act, the long-term capital gains arising from transfer of equity shares in any other company or units of equity oriented mutual funds, which are chargeable to securities transaction tax, are exempt from tax in the hands of the company. However, the said exemption will not be allowable as deduction from book profits under section 115JB of the Act.

5) The company is entitled to claim depreciation @ 20% (10% if the assets are used for less then 180 days) in accordance with provisions of section 32(1)(iia) for the purchase of new plant and machinery acquired and installed after March 31, 2005

6) In accordance with and subject to the provisions of section 35, the company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

7) As per the provisions of section 112(1)(b) of the Act, other long-term capital gains arising to the company are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to that section, the long-term capital gains resulting from transfer of listed securities or units or zero coupon bonds are subject to tax at the rate of 20% worked out after considering indexation benefit (plus applicable surcharge and education cess), which would be restricted to 15% worked out without considering indexation benefit (plus applicable surcharge and education cess).

8) As per the provisions of section 111A of the Act, short-term capital gains arising to the company from transfer of equity shares in any other company or of units of any equity oriented fund (as defined in section 10(38) of the Act), are subject to tax @ 15% (plus applicable surcharge and education cess), if such a transaction is subjected to securities transaction tax.

9) In accordance with and subject to the conditions specified in section 54EC of the Act, the company would be entitled to exemption from tax on long-term capital gain if such capital gain is invested maximum investment permitted is rupees fifty lakhs, in any of the long term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said section. However if the new asset is transferred or converted into money or takes any loan or advance on the security of such specified assets at any time within a period of three years from the date of its acquisition, the amount of capital gains for which

exemption is availed earlier, would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.

10) As per the provisions of section 88E of the Act, where the business income of the company includes profits and gains from sale of securities liable to securities transaction tax, a rebate is allowable from the amount of income tax on such business income, to the extent of securities transaction tax paid on such transaction. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.

11) Under section 115JAA(1A) of the Act, credit is allowed in respect of any minimum alternate tax ('MAT') paid under section 115JB of the Act for any assessment year commencing on or after April 1, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 7 years succeeding the year in which the MAT credit is allowed.

B. To the shareholders of the Company

I. Resident shareholders

1) Under section 10(34) of the Act, dividend (whether interim or final) referred to in section 115-O received from a domestic company is exempt from tax in the hands of the shareholders of the company.

2) Under section 10(38) of the Act, the long-term capital gain arising from transfer of equity shares in the company, which is chargeable to securities transaction tax, is exempt from tax in the hands of the shareholders.

3) As per the provisions of section 112(1)(a) of the Act, other long-term capital gains arising to the resident shareholders are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per proviso to that section, the long-term capital gains arising from transfer of listed securities are subject to tax at the rate of 20% after considering the indexation benefit (plus applicable surcharge and education cess), which would be restricted to 15% of long term capital gains without considering the indexation benefit (plus applicable surcharge and education cess).

4) As per the provisions of section 111A of the Act, short-term capital gains arising to the shareholders from the transfer of equity shares in a company defined in section 10(38) of the act, are subject to tax @ 15% (plus applicable surcharge and education cess) if such a transaction is subjected to Securities Transaction Tax.

5) As per the provisions of section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to securities transaction tax, a rebate is allowable from the amount of income tax on such business income, to the extent of securities transaction tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.

6) In accordance with and subject to the conditions specified in section 54EC of the Act, the shareholders would be entitled to exemption from tax on long-term capital gains if such capital gains are invested maximum investment permitted is rupees fifty lakhs, in any of the long-term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money or takes loan or advance on the security of such specified assets at any time within a period of three years from the date of its acquisition, the amount of capital gains for which exemption is availed earlier, would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.

7) In case of a shareholder being an individual or a hindu undivided family, in accordance with and subject to the conditions and to the extent provided in section 54F of the Act, the shareholder is entitled to exemption from long-term capital gains arising from the transfer of any long term capital asset, not being on residential

house if the net consideration is invested for purchase or construction of a residential house. If part of the net consideration is invested within the prescribed period in a residential house, such gains would not be chargeable to tax on a proportionate basis. If, however, such new residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains in the year in which such residential house is transferred.

8) As per section 74, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

II. Mutual Funds

In case of a shareholder being a mutual fund, as per the provisions of section 10(23D) of the Act, any income of mutual funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, mutual funds set up by public sector banks or public financial institutions and mutual funds authorised by the Reserve Bank of India are exempt from income-tax, subject to the conditions notified by Central Government in this regard.

III. Venture Capital Companies /Funds

In case of a shareholder being a Venture capital company / fund, any income of venture capital companies / funds registered with the Securities and Exchange Board of India, are exempt from income-tax, subject to the conditions specified in section 10(23FB) of the Act.

IV. Non-Resident / Non-Resident Indian Member

1) Dividend (both interim and final) income, if any, received by the non-resident/non-resident Indian shareholders from the domestic company shall be exempt under section 10(34) of the Act.

2) Benefits outlined in paragraph B(I) above are also available to a non-resident/non-resident Indian shareholder except that under first proviso to section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation is not available to nonresident shareholders.

3) Benefits outlined in paragraph A(8) above are also applicable to the non-resident/nonresident Indian shareholder.

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

5) Capital gains tax – Options available to a non-resident Indian under the Act:

a) Non- resident Indian: As per section 115C(e) of the Act, a 'non-resident Indian' means an individual, being a citizen of India or a person of Indian origin who is not a 'resident'. As per the Explanation to the said clause, a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

b) Where shares have been subscribed in convertible foreign exchange, the non-resident Indians (as defined in section 115C(e) of the Act), being shareholders of an Indian company, have the option of being governed by the provisions of chapter XII-A of the Act, which, inter alia, entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- As per the provisions of section 115D read with section 115E of the I.T. Act and subject to the conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.
- As per the provisions of section 115F of the I.T. Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset (being shares in the Indian Company) as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made, is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier, would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided, tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.
- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the I.T. Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

V. Foreign Institutional Investors (FIIs)

1) Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under section 10(34) of the Act.

2) Capital gains

- Under section 115AD, income (other than income by way of dividends referred in section 115-O) received in respect of securities (other than units referred to in section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge on tax and education cess on tax and surcharge).
- Under section 115AD, capital gains arising from transfer of securities (other than units
- referred to in section 115AB) which are not exempt under section 10(38), shall be taxable as follows:
- Securities which are held for the period of upto or less than twelve months and where such transaction is chargeable to securities transaction tax, capital gain shall be taxable at the rate of 15% (plus applicable surcharge on tax and education cess on tax and surcharge). Securities other than those held for the period of upto or less than twelve months and where such transaction is not chargeable to securities transaction tax, capital gain shall be taxable at the rate of 30% (plus applicable surcharge on tax and education cess on tax

and surcharge); Securities which are held for the period of more than twelve months shall be taxable at the rate of 15% (plus applicable surcharge on tax and education cess on tax and surcharge). Such capital gains would be computed without giving effect of first provisio and without indexation as provided in the second proviso to section 48.

3) Long-term capital gains arising on transfer of Equity Shares of our Company, which is held for the period of more than twelve months and where such transaction is chargeable to securities transaction tax, shall be exempt from tax under section 10(38) of the Act.

4) Benefit of exemption under section 54EC shall be available as outlined in paragraph B(I)(6) above.

5) Benefit as outlined in paragraph A(8) above are also available to FIIs.

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

Note: There is a legal uncertainty over whether a FII can elect to be governed by the normal provisions of the Act, instead of the provisions of section 115AD. Investors are advised to consult their tax advisors in this regard.

C. Benefits available under the Wealth Tax Act, 1957

'Asset' as defined under Section 2(ea) of the Wealth Tax Act, 1957, does not include share in companies. Hence, the shares in companies are not liable to Wealth Tax.

D. Benefits available under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax. However they may be taxed as the income of the recipient of the Gift under section 56 (2) (v) of the Act.

Notes:

1) All the above benefits are as per the current tax law. Shareholder is advised to consider in his/her/its own case, the tax implications of any new enactments, which may change / modify the law.

2) In view of the nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences.

3) The statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advise.

4) In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has physical domicile.

GENERAL INFORMATION

1. Our Company was incorporated on January 19, 1996 as a public company with limited liability under the Companies Act, 1956 as 'Kaveri Telecoms Limited'. The name of our Company was changed to 'Kavveri Telecom Products Limited' with effect from August 19, 2003. The Registered Office of our Company is at Kaveri Industrial Complex, Plot No. 31-36, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore- 560076, India. The Corporate Identity Number of the Company is L85110KA1996PLC019627.

2. The Issue was authorized and approved by our Board on June 2, 2011 and approved by the shareholders in their meeting on July 4, 2011

3. We have applied for the in-principle approval to list the Equity Shares on the NSE and the BgSE and will apply for trading permission on the Indonext segment of the BSE.

4. Copies of our Memorandum and Articles will be available for inspection during usual business hours on any day (except Saturdays, Sundays and public holidays) at our Registered Office.

5. We have obtained all consents, approvals and authorizations required in connection with this Issue, except as disclosed in this Preliminary Placement Document.

6. Except as disclosed in this Preliminary Placement Document, there has been no material change in our financial or trading position since March 31, 2011.

7. Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.

8. The Auditors have audited our Company's Consolidated Financial Statements as of and for the years ended March 31, 2009, March 31, 2010 and March 31, 2011; and have consented to the inclusion of their report in this Preliminary Placement Document.

9. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges and the trading requirements for the Indonext segment of the BSE.

10. The Floor Price for the Issue is Rs. 134.13, calculated in accordance with Regulation 85(1) of the ICDR Regulations, as certified by the Auditors.

INDEPENDENT ACCOUNTANTS

OUR FINANCIAL STATEMENTS INCLUDED IN THIS PRELIMINARY PLACEMENT DOCUMENT AS OF AND FOR THE THREE YEARS ENDED MARCH 31, 2009, MARCH 31, 2010 AND MARCH 31, 2011 HAVE BEEN AUDITED BY S. JANARDHAN AND ASSOCIATES, CHARTERED ACCOUNTANTS, OUR STATUTORY AUDITORS AS STATED IN THEIR REPORTS APPEARING ELSEWHERE IN THIS PRELIMINARY PLACEMENT DOCUMENT.

FINANCIAL STATEMENTS

AUDITORS' REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF KAVVERI TELECOM PRODUCTS LIMITED AS OF MARCH 31, 2009, MARCH 31, 2010 AND MARCH 31, 2011

To the Board of Directors of Kavveri Telecom Products Ltd

1. We have examined the attached Consolidated Balance Sheets of Kavveri Telecom Products Limited ("the Company") and it's subsidiaries (collectively referred to as "The Group") as at March 31, 2009, 2010 and 2011 and also the Consolidated Profit and Loss Accounts, the Consolidated Cash Flow Statements for the years ended on those dates annexed thereto and the accompanying Notes and schedules (together comprising the "Financial Statements") expressed in Indian Rupees. These Financial Statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information and also has been approved by the Board of Directors of the Company in their meeting held on 30th May, 2011. Our responsibility is to express an opinion on these Financial Statements based on our examination.

2. The figures disclosed in the Financial Statements are extracted from the Consolidated Accounts prepared in accordance with Indian GAAP and regrouped wherever considered necessary and our opinion on the Financial Statements stated herein is as stated in the opinion for each of the years as at March 31, 2009, 2010 & 2011. In forming an opinion for each of the years, we conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosure 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 in Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of Kavveri Telecom Products Limited, and its subsidiaries included in the Consolidated Financial Statements.

4. Based on our audit and in our opinion and to the best of our information and according to the explanations given to us, the attached Financial Statements, subject to note no.2 on change in rate of depreciation on Plant and Machinery adopted by one of the subsidiary during the year ended March 31, 2011, give a true and fair view in conformity with the generally accepted accounting principles in India and applicable accounting standards notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006:

a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31 2009, 2010 and 2011;

b) In the case of the Consolidated Profit and Loss account, of the profits of the Group for the years ended March 31 2009, 2010 and 2011;

c) In the case of the Consolidated Cash Flow Statements, of the cash flows of the Group for the years ended March 31 2009, 2010 and 2011.

5. We are independent firm of Chartered Accountants with respect to the Company pursuant to the rules promulgated vide Clause 4, Part I, The Second Schedule, The code of conduct of the Institute of Chartered Accountants of India and within the meaning of the Companies Act, 1956.

6. This report is for inclusion in the Offer Document being issued by the Company in connection with the proposed placement of Equity Shares under Chapter VIII of the Securities and Exchange Board of India

(Issue of Capital and Disclosure Requirements) Regulations, 2009, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **S.Janardhan & Associates**
Chartered Accountants
Firm Registration No.005310S

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date : October 4. 2011

Audited Consolidated Balance Sheet as of March 31, 2009, March 31, 2010 and March 31, 2011

(Rs. in lakhs)

Particulars	Schedules	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	1,406.90	1,006.08	1,006.08
Share Application Money		1,223.81	-	-
Reserves and Surplus	2	17,728.66	9,831.66	3,466.51
		20,359.37	10,837.74	4,472.59
Minority Interest		105.35	43.35	49.00
Loan Funds				
Secured Loan	3	11,636.43	9,504.85	4,816.18
Unsecured Loan	4	4,117.59	7,792.14	2,562.68
		15,754.02	17,296.99	7,378.86
Deferred Tax Liability (Net)		905.80	894.86	493.86
Total		**37,124.54**	**29,072.94**	**12,394.31**
APPLICATION OF FUNDS				
FIXED ASSETS	5			
Gross Block		13,384.53	8,323.82	4,608.11
Less : Depriciation		2,037.56	1,299.57	617.24
Net Block		11,346.97	7,024.25	3,990.87
Capital Work in Progress		2403.98	3,839.18	1,549.69
		13,750.95	10,863.43	5,540.56
Goodwill on Consolidation		3,972.56	4,115.93	2,093.49
Current Assets,Loans And Advances				
Inventories	6	7,222.38	3,974.23	1,679.08
Sundry Debtors	7	10,030.11	11,162.00	5,224.03
Cash and Bank Balances	8	756.35	1,192.62	1,436.30
Loans and Advances	9	9,362.39	7,509.46	1,425.61
		27,371.23	23,838.31	9,765.02

(Rs. in lakhs)

Particulars	Schedules	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Less: Liabilities and Provisions				
Current Liabilities	10	3,643.07	4,090.93	4,907.64
Provisions	11	4,448.92	5,767.63	199.43
		8,091.99	9,858.56	5,107.07
Net Current Assets		19,279.24	13,979.75	4,657.95
Miscellaneous Expenditure	12	121.79	113.83	102.31
(to the extent not written off or adjusted)				
Total		**37,124.54**	**29,072.94**	**12,394.31**
Notes to Accounts and Significant Accounting Policies				

Audited Consolidated Profit and Loss Accounts for the years ended on March 31, 2009, March 31, 2010 and March 31, 2011

(Rs. in lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
INCOME				
Sales of Wireless Subsystem Products		30,300.91	24,660.99	21,197.32
Less: Excise Duty		129.56	953.04	2,216.13
		30,171.35	23,707.95	18,981.19
Services Income		887.58	103.39	-
Less:Advance Income received		188.62	--	--
		30,870.31	23,811.34	18,981.19
Other Income	13	592.83	531.61	380.40
Accretion/(Decretion to Stock)	14	3,712.01	729.23	137.89
Total		**35,175.15**	**25,072.18**	**19,499.48**
EXPENDITURE				
Operating Expenses	15	24,488.02	14,915.59	12,423.70
Personnel Expenses	16	1,951.04	1,820.49	1,626.90
Administrative, Selling & Other Expenses	17	1,801.62	2,622.87	2,706.60
Interest & Financial Expenses	18	1,354.44	1,272.26	1,251.07
Depreciation	5	717.40	597.45	228.59
Less: Expenses Capitalised during the year		(290.14)	(40.92)	-
Total		**30,022.38**	**21,187.74**	**18,236.86**
Profit before Tax		**5,152.77**	**3,884.44**	**1,262.62**
(Add):				
Transferred to Deferred Revenue Expenditure		-	-	61.12
Less: Provision for Taxation				
Current Tax		1,278.05	905.62	271.93
Deferred Tax		10.94	401.00	142.49
Fringe benefit Tax		-	-	5.50
Add: MAT tax credit entitlement		67.50	-	-
Profit after Tax		**3,931.28**	**2,577.82**	**903.82**
Add/(Less): Income Tax of earlier years		(43.83)	(0.09)	2.83
Add/(Less): Expenses relating to earlier years		-	(5.74)	-

(Rs. in lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Profit before Minority Interest		3,887.45	2,571.99	906.65
Less: Minority Interest		62.01	(44.00)	-
Profit after Minority Interest		3,825.44	2,615.99	906.65
Balance of Profit Brought forward from Previous Year		4,557.02	2,409.46	1,620.51
Amount available for Appropriations		8,382.46	5,025.45	2,527.16
Less: Dividend on Equity Shares		211.03	201.38	100.60
Less:Tax on Dividend		34.24	33.45	17.10
Less:Transferred to General reserve		172.77	233.60	-
Balance carried to Balance Sheet		7,964.42	4,557.02	2,409.46
Earning per Share- Basic (in Rs.)		35.74	25.56	9.01
Earning per Share- Diluted (in Rs.)		33.84	25.44	9.00
No. of Equity Shares used in computing				
Earning Per share for Basic EPS		107.04	100.60	100.61
Earning Per share for Diluted EPS		113.06	101.11	100.74
Notes to Accounts and Significant Accounting Policies				

Schedules forming part of the Audited Consolidated Balance Sheet and Profit And Loss Account of the Company as of and for the years ended on March 31, 2009, March 31, 2010 and March 31, 2011

SCHEDULE 1
SHARE CAPITAL

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31. 2010	As at March 31, 2009
Share Capital			
Equity Shares			
Authorised Capital	2,000.00	2,000.00	2,000.00
Number of Shares (In Nos)	20,000,000	20,000,000	20,000,000
Equity Shares			
Issued, Subscribed and Paid- up	1,406.90	1,006.08	982.34
Number of Shares (In Nos)	14,068,980	10,060,800	9,823,450
Share Capital Suspense Account	-	-	23.74
Total	**1,406.90**	**1,006.08**	**1,006.08**

SCHEDULE 2
RESERVES AND SURPLUS

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Capital Reserve arising from Amalgamation	73.26	73.26	73.26
Securities Premium			
As per Last Balance Sheet	4,591.52	845.58	845.58
Add: Premium on allotment/Esop Conversion	4,126.34	3,703.22	-
Add: Transfer from Premium Suspense	-	42.72	-
	8,717.86	4,591.52	845.58
Securities Premium Suspense			
As Per Last Balance Sheet	-	42.72	42.72
Less: Transfer to Securities Premium Account	-	42.72	-
	-	-	42.72
Employee Stock Option Outstanding			
As Per Last Balance Sheet	95.26	95.26	-
Add: Liability towards Stock Option	-	-	95.26
Less: Stock Options Cancelled	1.34	-	-
Less: Transfer to Securities premium Account	6.33	-	-
Less: Deferred Stock Compensation Cost	41.86	79.98	95.26
	45.73	15.28	-
General Reserves			
As per Last Balance Sheet	322.39	88.79	88.79
Add: Transfer from Profit and Loss Account	172.77	233.60	-
	495.16	322.39	88.79
Foreign Currency Translation reserve			
As per Last Balance Sheet	272.20	6.70	2.95
Add/(Less) adjustments during the year	160.03	265.49	3.75
	432.23	272.19	6.70
Surplus in Profit and Loss account	7,964.42	4,557.02	2,409.46
Total	**17,728.66**	**9,831.66**	**3,466.51**

SCHEDULE 3
SECURED LOANS

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
A. Secured Loans			
(Refer Notes to Accounts for details of Securities)			
Term Loan from Bank	5,452.28	1,578.95	1,213.48
Cash Credit Account	5,895.57	5,831.77	2,885.30
Corporate Loan from State Bank of India	-	2,056.47	710.88
Operating Line	232.80	-	-
Car Loan from Banks	55.78	37.66	6.52
Total	**11,636.43**	**9,504.85**	**4,816.18**

SCHEDULE 4
UNSECURED LOANS

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Sales tax Deferred Liability	-	4.66	13.98
Intercorporate Loan	4,048.00	1,792.70	-
Others	69.59	-	2,537.63
Loan from Directors	-	5,994.78	11.07
Total	**4,117.59**	**7,792.14**	**2,562.68**

SCHEDULE 5
FIXED ASSETS

(Rs. in lakhs)

Particulars	Land	Building	Plant and Machinery	Furniture & Fixtures	Computers	Vehicles	Intangible Assets	Computer Software	Total
Gross Block as at April 1, 2008	29.02	363.10	1,143.53	52.80	89.07	61.75	393.70	-	2,132.97
Additions During the Year	232.67	1,545.75	468.81	35.06	130.89	-	63.02	-	2,476.20
Disposals During the Year	-	-	29.94	-	0.02	1.50	-	-	31.46
Transalation reserve	0.87	10.31	10.02	0.36	1.00	0.70	7.14	-	30.40
Gross Block as at March 31, 2009	262.56	1,919.16	1,592.42	88.22	220.94	60.95	463.86	-	4,608.11
Accumulated Depreciation as at April 1, 2008	-	46.12	235.58	30.52	41.84	27.02	-	-	381.08
Charge for the Year	-	9.95	122.27	10.49	25.54	9.62	50.72	-	228.59
Adjustment /Deletion	-	-	(2.87)	-	-	(0.20)	-	-	(3.07)
Transalation reserve	-	(18.94)	28.60	0.10	0.34	0.17	(5.77)	-	4.50
Accumulated Depreciation as at March 31, 2009	-	37.13	389.32	41.11	67.72	37.01	44.95	-	617.24
Net Block as at March 31, 2009	**262.56**	**1,882.03**	**1,203.10**	**47.11**	**153.22**	**23.94**	**418.91**		**3,990.87**
Gross Block as at April 1, 2009	262.56	1,919.16	1,592.42	88.22	220.94	60.95	463.86	-	4,608.11
Additions During the Year	-	69.49	3,205.64	164.02	66.50	56.37	20.32	156.25	3,738.59
Disposals During the	-	(64.10)	-	-	-	(19.63)	-	-	(83.73)

(Rs. in lakhs)

Particulars	Land	Building	Plant and Machinery	Furniture & Fixtures	Computers	Vehicles	Intangible Assets	Computer Software	Total
Year									
Transalation reserve	2.26	26.81	(326.68)	364.64	3.63	15.97	(25.78)	-	60.85
Gross Block as at March 31, 2010	264.82	1,951.36	4,471.38	616.88	291.07	113.66	458.40	156.25	8,323.82
Accumulated Depreciation as at April 1, 2009	-	37.13	389.32	41.11	67.72	37.01	44.95	-	617.24
Charge for the Year	-	98.28	288.67	92.68	45.99	12.97	44.77	14.09	597.45
Adjustment /Deletion	-	-	-	-	-	-	-	-	-
Transalation reserve	-	0.46	(93.06)	177.62	14.86	(15.37)	0.37	-	84.88
Accumulated Depreciation as at March 31, 2010	-	135.87	584.93	311.41	128.57	34.61	90.09	14.09	1,299.57
Net Block as at March 31, 2010	**264.82**	**1,815.49**	**3,886.45**	**305.47**	**162.50**	**79.05**	**368.31**	**142.16**	**7,024.25**
Gross Block as at April 1, 2010	264.82	1,951.36	4,471.38	616.88	291.07	113.66	458.40	156.25	8,323.82
Additions During the Year	-	179.32	4,815.65	3.63	13.63	61.58	-	0.61	5,074.42
Adjustment /(Disposals)	(4.42)	(49.55)	334.53	(323.99)	-	(19.01)	-	-	(62.44)
Transalation reserve	1.17	14.09	24.53	4.90	2.92	-	1.12	-	48.73
Gross Block as at March 31, 2011	261.57	2,095.22	9,646.09	301.42	307.62	156.23	459.52	156.86	13,384.53
Accumulated Depreciation as at April 1, 2010	-	135.87	584.93	311.41	128.57	34.61	90.09	14.09	1,299.57

(Rs. in lakhs)

Particulars	Land	Building	Plant and Machinery	Furniture & Fixtures	Computers	Vehicles	Intangible Assets	Computer Software	Total
Charge for the Year	-	58.77	556.57	33.43	53.54	12.89	44.81	52.26	812.27
Adjustment /Deletion	-	(7.43)	114.89	(209.75)	-	(1.36)	-	-	(103.65)
Transalation reserve	-	3.63	19.14	3.25	3.05		0.30		29.37
Accumulated Depreciation as at March 31, 2011	-	190.84	1,275.53	138.34	185.16	46.14	135.20	66.35	2,037.56
Net Block as at March 31, 2011	**261.57**	**1,904.38**	**8,370.56**	**163.08**	**122.46**	**110.09**	**324.32**	**90.51**	**11,346.97**

SCHEDULE 6
INVENTORIES

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
(Valued at Lower of cost or net realisable value)			
Raw Materials	2,367.45	2,235.63	817.29
Semi Finished goods and work in progress (Valued at estimated cost)	77.98	499.58	47.74
Traded Goods	4,107.30	306.00	-
Finished Goods	669.65	933.02	814.05
Total	**7,222.38**	**3,974.23**	**1,679.08**

SCHEDULE 7

SUNDRY DEBTORS

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Debts outstanding for a period exceeding six Months			
Unsecured,Considered good	355.45	1,180.23	260.98
Considered Doubtful	7.14	5.87	38.25
Debts outstanding for a period Less than six Months			
Unsecured,Considered good	9,674.66	9,981.77	4,963.05
Less: Provision	7.14	5.87	38.25
Total	**10,030.11**	**11,162.00**	**5,224.03**

SCHEDULE 8
CASH AND BANK BALANCES

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Cash on hand	11.41	1.12	3.73
Balance with Scheduled Banks			
In Current Account	252.56	755.97	641.37
In Deposit Account	481.88	424.58	769.49
In Unclaimed Dividend Account	10.50	10.95	21.71
Total	**756.35**	**1,192.62**	**1,436.30**

SCHEDULE 9

LOANS AND ADVANCES

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Advances Recoverable in Cash or Kind or Value to be received			
Unsecured, Considered good	8,167.23	6,453.32	833.99
Deposits with Others	152.76	150.31	103.82
Balances with Customs, Excise Authorities	1,042.40	905.83	487.80
Total	**9,362.39**	**7,509.46**	**1,425.61**

SCHEDULE 10
CURRENT LIABILITIES

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Current Liabilities:			
Sundry Creditors			
Due to Micro and Small Medium Enterprises	-	-	-
Others	1,708.22	3,317.82	4,518.59
Advance from Customers	204.50	26.02	5.76
Other Liabilities	1,719.85	736.14	361.58
Unclaimed Dividends	10.50	10.95	21.71
Total	**3,643.07**	**4,090.93**	**4,907.64**

SCHEDULE 11
PROVISIONS

(Rs. in lakhs)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Provisions:			
Proposed dividend	211.03	201.38	100.61
Tax on Dividend	67.69	33.45	17.10
Leave Encashment	28.50	37.71	36.55
Gratuity	38.18	32.09	26.04
Warranty	2,695.14	4,579.27	-
Taxation	1,408.38	882.02	15.63
Fringe Benefit Tax	-	1.71	3.50
Total	**4,448.92**	**5,767.63**	**199.43**

SCHEDULE 12
MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted) *(Rs. in lakhs)*

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009
Preliminary Expenses			
As per Last Account	52.71	41.19	32.85
Add: Addition during the year	9.04	11.57	10.53
Less: Written off during the year	3.13	0.05	2.19
	58.62	52.71	41.19
Deffered Revenue Expenditure			
As per Last Account	61.12	61.12	61.12
Add: Addition during the year	14.27	-	-
Less: Written off during the year	12.22	-	-
	63.17	61.12	61.12
Total	**121.79**	**113.83**	**102.31**

SCHEDULE 13
OTHER INCOME

(Rs. in lakhs)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Interest Received (Gross)	39.51	142.03	75.84
Exchange Fluctuation Gain (Net)	-	45.97	-
Provision no longer required written back	156.59	10.30	11.47
Miscellaneous Income	396.73	333.31	293.09
Total	**592.83**	**531.61**	**380.40**

SCHEDULE 14
INCREASE/(DECREASE) IN INVENTORY

(Rs. in lakhs)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Opening Stock of Inventory	1,641.12	911.89	774.00
Total (A)	**1,641.12**	**911.89**	**774.00**
Less:			
Closing Stock of Inventory	4,854.93	1,641.12	911.89
Less: Transfer to Research and Development	498.20	-	-
Total (B)	**5,353.13**	**1,641.12**	**911.89**
Net Accretion/(Decretion) to stock	**3,712.01**	**729.23**	**137.89**

SCHEDULE 15
OPERATING EXPENSES

(Rs. in lakhs)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
a. Raw Materials Consumed /Purchase of Goods (A)	**25,910.74**	**9,507.04**	**12,002.97**
b. Others			
Consumables	1.94	6.11	21.45
Packing Materials	6.69	20.78	23.61
Job Work	302.33	531.15	120.20
Power Charges	14.95	15.32	6.27
Freight Inwards	48.02	90.67	150.59
Warranty Provision	--	4,579.27	--
Other Manufacturing Expenses	87.48	165.25	98.61
(B)	**461.41**	**5,408.55**	**420.73**
c. Warranty Provision written back (C)	**(1,884.13)**	**--**	**-**
Total-(A+B+C)	**24,488.02**	**14,915.59**	**12,423.70**

SCHEDULE 16
PERSONNEL EXPENSES

(Rs. in lakhs)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Salaries, Wages & Bonus	1,509.23	1,397.06	1,350.23
Directors' Remuneration	357.16	352.72	170.18
(Includes Commission paid to Directors)			
Contribution to :			
Provident Fund & Other Funds	34.74	28.18	31.10
Gratuity & Leave encashment	9.50	9.48	27.96
Staff Welfare Expenses	3.62	23.14	47.43
Amortization of Deferred Stock Compensation Expenses	36.79	9.91	-
Total	**1,951.04**	**1,820.49**	**1,626.90**

SCHEDULE 17
ADMINSTRATIVE AND SELLING AND OTHER EXPENSES

(Rs. in lakhs)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Rent	393.51	207.34	135.74
Research & Development Expenses	235.08	378.62	346.24
Travelling & Conveyance Expenses	141.82	218.31	204.36
Rebates & Discounts	-	899.63	-
Carraige Outwards	47.80	70.30	300.63
Auditor's Remuneration	12.44	11.04	5.40
Repairs & Maintenance			
-Plant and Machinery	9.52	11.07	16.49
- Building	15.62	13.75	4.13
- Others	63.14	69.54	37.25
Brokerage & Commission	7.60	17.80	50.15
Loss on Sale of Assets	0.86	7.34	14.56
Exchange Fluctuation loss(Net)	285.70	118.83	279.42
Insurance	24.98	37.36	25.37
Rates & Taxes	86.19	44.27	85.71
Provision for Bad and doubtful debts written off	-	25.01	414.62
Directors' Sitting Fees	0.88	1.13	0.70
Installation Charges	5.06	32.61	69.12
Miscellaneous Expenses	456.06	458.87	714.51
Deferred revenue expenses written off	12.23	-	-
Pre-operative expenses written off	3.13	0.05	2.20
Total	**1,801.62**	**2,622.87**	**2,706.60**

SCHEDULE 18
INTEREST AND FINANCIAL EXPENSES

(Rs. in lakhs)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Interest on Fixed Loans	392.94	249.95	302.23
Interest paid - Others	858.87	661.99	386.20
Bank Charges	102.63	148.94	146.57
Discount and Factoring Charges	-	211.38	416.07
Total	**1,354.44**	**1,272.26**	**1,251.07**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED ON MARCH 31, 2009, MARCH 31, 2010 AND MARCH 31, 2011

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting / Preparation:

The consolidated financial statements (CFS) relate to Kavveri Telecom Products Ltd. (hereinafter referred to as the "**Company**") and its Subsidiaries (hereinafter referred as the "**Group**").

The accounts of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("**GAAP**") and comply with the mandatory accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting periods. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could vary from these estimates. Any revision to accounting estimates is recognised in the period in which such results are known/materalised.

2. Principles of Consolidation:

(a) The consolidated financial statements of Kavveri Telecom Products Ltd together with audited financial statements of its subsidiaries as described in 2(f) hereunder, have been considered for the purpose of consolidation.

(b) The financial statements of the parent company and its subsidiaries as described in 2(f) hereunder have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, Income and expenses. The results of the subsidiaries acquired or disposed off during the year are included in the consolidated profit and loss account from the effective date of the acquisition or upto the effective date of disposal as appropriate. All significant intra-group balances and transactions have been eliminated on consolidation. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its shares in the post acquisition change in the relevant reserves of the subsidiaries.

(c) 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 parent company's financial statements.

(d) Minority interest in the net income and in the net asset of the consolidated financial statements are computed and shown separately. Losses applicable to minority in excess of the minority interest in the subsidiaries equity are allocated against the interest of the group.

(e) Unamoritised carrying value of the goodwill is tested for impairment as at each balance sheet date.

(f) Subsidiaries:

The Subsidiary companies considered in the Consolidated Financial statements are:

NAME OF THE COMPANY	Country of Incorporation	Percentage of holding as on 31st March 2011	Accounting period
Direct Subsidiaries			
EAICOM INDIA PRIVATE LTD	India	100%	1st April 2010 to 31st March 2011
KAVVERI TELECOM INFRASTRUCTURE LIMITED	India	51%	1st April 2010 to 31st March 2011
KAVVERI TELECOM PRODUCTS UK LIMITED	England	100%	1st April 2010 to 31st March 2011
KAVVERI TECHNOLOGIES INC	Canada	100%	1st April 2010 to 31st March 2011
Subsidiaries of the wholly owned subsidiary, Kavveri Technologies Inc.			
TIL-TEK ANTENNAE INC	Canada	100%	1st April 2010 to 31st March 2011
TRACKCOM SYSTEMS INTERNATIONAL INC	Canada	67%	1st April 2010 to 31st March 2011
DCI DIGITAL COMMUNICATIONS INC	Canada	100%	1st April 2010 to 31st March 2011
SPOTWAVE WIRELESS LTD	Canada	100%	1st April 2010 to 31st March 2011
KAVERI REALTY 5 INC	Canada	100%	1st April 2010 to 31st March 2011

3. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

4. Fixed Assets:

- Fixed Assets are stated at cost of acquisition (Net of Cenvat and VAT) plus subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation including finance charges which are directly attributable to the Fixed assets less accumulated depreciation and impairment loss.
- Capital Work in Progress comprises of the cost of fixed assets that are not put to use as at the Balance Sheet date and advance paid towards acquisition of Fixed Assets and relevant financial charges incurred thereon.
- The Company had acquired technical knowhow during earlier years and such technical knowhow acquired is being used to upgrade and develop new products and for enhancement of features & functionalities of the products to be developed out of the same. This expenditure is considered under Fixed asset as Technical Knowhow.
- Software which are not integral part of the hardware are classified as Intangibles and is stated at cost less accumulated amortization. Software's are being amortized over the estimated useful life which is estimated as 3 Years.
- Temporary structures installed at the leased out premises is being written off over the tenure of the lease agreement.
- The excess of cost to the Company of its investments in the subsidiary Company over its share of the equity of the subsidiary Company, at the dates on which the investments in the subsidiary Company was made, is recognised as "Goodwill" being an asset in the consolidated financial statement

Depreciation:

- Depreciation on Fixed Assets is provided using Straight-line method at the rates prescribed under Schedule XIV of the companies Act, 1956 on proportionate basis.
- Cost of Technical knowhow is being written off over a period of 10 years.
- Cost of assets wherever is less than Rs. 5000 is written off fully in the year of purchase.
- One of the subsidiary company, viz. Kavveri Telecom Infrastructure Limited had provided depreciation on assets classified under the head Plant and machinery installed at various sites which are related to the " Inbuilding solutions" @ 5% on a straight line basis, whereas the company had provided @ 10% straight line basis on such assets, till last year. Had the Company not followed the revised rate of depreciation on such assets, the profit of the company would have been lower by Rs.94,86,197 (Net of taxes).
- Depreciation in respect to assets of overseas subsidiaries is provided over the estimated useful life by using the Written Down Value (WDV) method.
- However, the said rates of depreciation, respect of overseas subsidiaries are higher than the rates prescribed vide Schedule XIV to the Companies Act, 1956.

5. Minority Interest:

Minority Interest in the net assets of consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above. The excess of loss over the minority interest in the equity is adjusted against General Reserve of the Company.

6. Impairment of Assets:

The Company assesses at each Balance Sheet date, whether there is any indication that an asset including Goodwill may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

7. Leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term. Initial direct costs incurred specifically to earn revenues from an operating lease are deferred and allocated to income over the lease term in proportion to the recognition of rent income or are recognised as in expense in the statement of profit and loss in the period in which they are incurred.

Subsidiary company takes on lease various properties on lease to provide "Inbuilding Solutions" which are cancellable and is in turn sub let to various cell phone operators while providing "Inbuilding solutions".

8. Inventory Valuation:

Raw Materials, Stores and spares and Traded Goods are stated at lower of cost and net realizable value. Cost is determined based on first in-first out basis and are net of provisions.
Work in Progress and Finished Goods are valued at lower of cost and net realizable value. Cost includes Direct Materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

9. Investments:

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a diminution other than temporary in the value of investments.

10. Research and Development:

Expenditure on Research and Development other than capital items is charged to revenue. Cost incurred on any generation of intangible/tangible asset out of the Research and development activity is amortized/written off over the estimated life of the asset.

11. Revenue Recognition:

- Sales are recognized when the significant risks attached to the goods are passed on to the buyer and are recorded net of duties, trade discounts, and rebates.
- Sales Returns are recognized as and when ascertained and are reduced from the sales turnover of the year.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Export benefits are accounted on accrual basis.
- Service Income is recognised as and when "On Air" status has been achieved as certified by the customer, based on the contractual terms and conditions of each site of the "Inbuilding Wireless Solutions" upto the end of the year.
- Future rentals invoiced as per the contractual terms are excluded from the Services Income as "Advance Income received"

12. Warranty Expenses:

Estimated amount of warranty expenses evaluated on a technical basis on sale of Radio Products wherever it is obligated to cover under warranty, is provided in the year of sale and the expired portion of the Warranty expenses relating to the period/year are transferred to the Profit and Loss account. Unexpired portion of the Warranty expenses is carried over as a liability in the books of account and is written back over the number of years of the coverage of warranty on the basis of estimated warranty expenses for such products.

13. Exchange Fluctuation:

For the purpose of Consolidation of accounts of foreign subsidiaries, average rate of currencies have been taken for revenue items and the year-end rates have been applied for Balance Sheet items as per Accounting Standard 11 (AS-11) -"The Effects of Changes in Foreign Exchange Rates", notified by the Central Government of India under the Companies (Accounting Standards) Rules 2006.
The net exchange difference for the translation of items in the financial statement of foreign subsidiaries is taken to Exchange Fluctuation Reserve.

14. Employee Benefits:

In respect of Parent Company including Indian Subsidiaries:

- **Provident Fund:** Eligible employees receive benefits from a Provident Fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Government administered Provident Fund. The Company has no obligation beyond its contribution.
- **Gratuity:** A defined benefit retirement plan ('the Gratuity Plan") is provided to all employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity plan are determined by actuarial valuation using the projected unit credit method, as of the balance sheet date.
- Expenses on ex-gratia payment to employees, a defined contribution plan, are accounted as and when accepted by the management.
- Provision in respect of Leave encashment is made, based on actuarial valuation.

In respect of Foreign Subsidiaries:

- Foreign subsidiaries make contribution to various social security plans and insurance schemes as per local requirements and generally accepted practices in their respective country of incorporation. Such contributions are charged to Profit & Loss account in the year in which liability to pay arise

15. Borrowing Cost:

Borrowing costs relating to acquisition of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs not eligible for capitalization are charged to revenue.

16. Taxes:

- Tax expense comprises of current and deferred tax. Current Income Tax is measured based on the tax liability computed after considering tax allowances and exemptions.
- Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

17. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items income or expense associated with investing or financing cash flows. Cash and Cash Equivalents include Cash on hand and balance with banks in current and deposit accounts, with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

18. Stock Option Plan (2008): The Company instituted the Kavveri ESOS 2008 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders by Postal ballot on 23rd April 2008. The Kavveri ESOS 2008 Plan covers all employees of the company and its subsidiaries and Directors (excluding Promoter Directors) of the Company and its subsidiaries (collectively, "eligible employees"). Under the Scheme, the Compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its Subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options to be granted, the exercise price, the vesting period and exercise period. Vesting of employee stock options granted occurs in tranches as under:

Period	Vesting proportion
At the end of one year from the date of grant	20%
At the end of two years from the date of grant	30%
At the end of three years from the date of grant	50%

The exercise price for the purpose of exercise of options will be at Rs.10/- per share i.e. at par.

The employee stock options granted shall be capable of being exercised within a period of 5 years from the date of vesting options or such lesser period as may be decided by the Compensation Committee from time to time.

Under the Scheme 139,125 (80,400) stock options out of the total of 5,00,000 stock options reserved for grant of options having an exercise price equal to the par value of the underlying equity shares on the date of grant (i.e. Rs. 10 per option) are outstanding as at the balance sheet date.

8,180(Nil) options have been exercised during the year ending 31.3.2011.

As the number of shares that an individual employee is entitled to receive and the price of the options are known at the grant date, the scheme is considered as a fixed grant.

In the case of termination of employment, all non-vested options would stand cancelled. Options that have been vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within 30 days of the date of employment termination, failing which they would stand cancelled.

19. Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of shares outstanding during the year is adjusted for events of bonus issue.
For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

20. Deferred Revenue Expenditure: Expenses under this head is written off over a period of five years on a straight line basis.

21. Contingent Liability:

Provisions involving substantial degree of estimation in measurement are recognized, 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 recognized but are disclosed in the Notes. Contingent assets are neither recognized nor disclosed in the financial statements.

NOTES TO ACCOUNTS OF CONSOLIDATED STATEMENTS

1. a. Amalgamation with Megasonic Telecoms Private Limited: - The Company got amalgamated with erstwhile Megasonic Telecoms Private Limited in the year 2003-04 and as per the scheme of amalgamation 4,935,000 equity shares were issued as consideration.
   b. Paid up capital includes 8,180 Equity shares of Rs. 10 each fully paid up allotted to the employees during the year on account of the ESOP Scheme.

2. The Capital Reserve of Rs. 73,25,779/- represents the excess of net fair value of assets over the purchase consideration in terms of scheme of amalgamation taken place during the year 2003-04, which was duly approved by the Hon'ble High Courts of Karnataka and Bombay.

3. **Secured Loans:**

   Loans availed by the Holding Company:

   a. Corporate Loan and Term Loan I from State Bank of India:

   Secured by first charge on the present and future assets of the Company

   b. Term Loan II from State Bank of India:

   Secured by equitable mortgage of land and building where the factory building is located and by first charge on the fixed assets purchased out of the term loan.

   c. Working Capital Facilities (Cash Credit Account from State Bank of India): Secured against the first charge on the entire and future current assets, all stocks/debtors and other current assets of the company.

   d. All the above loans are collaterally secured by pledge of 5,00,000 shares of Kavveri Telecom Products Limited owned by promoters and also by pledge of 29,200 shares of Kavveri Technologies Inc. Canada being the 100% stake held by the Kavveri Telecom Products Ltd. and by properties owned by Directors and their family members

   e. The letter of credit facilities and bank guarantee facilities are secured against the first charge on the entire present and future current assets of the company.

   f. The Car Loans are secured by hypothecation of the relevant vehicles.

   g. All the secured loans excepting Car loans have been personally guaranteed by two directors.

   Loans availed by Kavveri Telecom Infrastructure Ltd:

   Securities on Loan taken by M/s Kavveri Telecom Infrastructure Limited.

   a. Term Loan from ICICI Bank(Term Loan 1 and Term Loan 2): Secured by hypothecation of entire stocks of raw materials, semi finished goods, consumable stores and spares, and other movable assets including book- debts, whether documentary or clean outstanding monies, receivables, both present and future and exclusive charge on the present and future movable fixed assets of the Company. The loans are further secured by the following:

   i. Corporate guarantee of the Holding Company, viz. Kavveri Telecom Products Ltd and M/s Eaicom India Private Limited, a subsidiary of the Holding Company.

   ii. Exclusive charge on the land owned by M/s Eaicom India Private Limited.

   iii. Personal guarantee of two promoter directors.

   iv. Exclusive charge on the residential/commercial/industrial property or pledge of the shares of Kavveri Telecom Products Ltd of Rs. 50.0 Million.

   b. Term Loan from Axis Bank: Secured against entire movable fixed assets of the Company ranking pari-passu first charge with ICICI Bank and collaterally secured by first charge on entire current assets of the Company both present and future alongwith ICICI Bank (both subject to acceptance by ICICI Bank) and personally guaranteed by two promoter directors and corporate guarantee of the Holding Company viz. Kavveri Telecom Products Ltd.

   Loan availed by Til-tek Antennae Inc.

   Operating Line of Credit from Royal Bank of Canada:

   Secured against Land and Building situated at Kemptville, Ontario Canada and Book debts and stock.

4. (a) Contingent Liabilities not provided for –

(in Rs.)

	Particulars	2011	2010
I	Estimated amount of Contracts remaining to be executed on Capital Account.	NIL	4,48,50,000
Ii	Claims against the Company not acknowledged as a debt	3,10,33,073 CAD 75,500	2,45,40,216
Iii	On account of Excise Matters	48,80,49,175	29,89,60,660
Iv	On account of Sales tax	63,22,513	63,22,513
V	Guarantees issued by bankers on behalf	96,82,133	5,47,30,941
Vi	On account of Income Tax	22,29,133	1,00,60,000

(i) M/s. Mahanagar Telephone Nigam Ltd and M/s Bharat Sanchar Nigam Ltd. had invoked bank guarantees totaling to Rs. 4,41,000 and Rs.7,55,081 respectively against which the company has filed cases against such invoking of bank guarantees and is advised that the matter will be resolved in favour of the company in respect of the said amount and hence no provision is made in the books of account.

(ii) In the Matter of dispute with M/s Bharat Sanchar Nigam Limited (BSNL), the Honourable High Court of Karnataka at Bangalore have referred the matter to the arbitrator to be appointed by M/s BSNL, against invoking of Bank guarantee of a sum of Rs.22,70,000.

(b) There is a claim against one of the Company's properties located at Bangalore which is presently owned by the Company.

5. (a) Margin Money deposits with the bank amounting to Rs.1,43,93,385,(Rs.4,24,58,504) have been given as margin money for the guarantees issued by the bankers for the year ending 31st March 2011.

(b) Deposit amounting to Rs.1,68,77,303 (Rs. 67,96,002)included under the head Fixed deposits have been kept with the bankers as Debt Service Reserve Account.

6. Segment Results
The company's predominant risks and returns are from the segment of "Wireless sub-systems" represented by Antenna, Duplexer, RF Products and RF accessories, which constitute the major revenue of the company for the reporting period. Since this being a single business segment, the segment information as per Accounting Standard 17, "Segment Reporting", is not disclosed.

7. Deferred Tax Liability and Asset are attributable to the following

(In Rs.)

Particulars	2011	2010
Deferred Tax Liability:		
Attributable to Depreciation	10,50,08,000	9,21,79,000
Less: Deferred Tax Asset		
Attributable to Expenses allowable when paid	(21,96,000)	(26,93,000)
Carried forward Losses	(1,22,32,000)	--
Net Deferred Tax Liability	**9,05,80,000**	**8,94,86,000**

In the absence of Deferred tax provisions in the case of countries where the foreign subsidiaries are located, no deferred tax has been provided and hence the same has not been considered on consolidation.

8. Depreciation for the year is net after adjusting the depreciation write back on account of change in rate of depreciation of plant and machinery amounting to Rs.94,86,197 related to the "Inbuilding Solutions" of one of the subsidiaries.

9. Pursuant to Accounting Standard AS-28- Impairment of assets issued by the Companies Accounting Standards Rules, 2006, the Company assessed its fixed assets for impairment as at 31st March 2011 and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

10. The employees' Gratuity Fund Scheme is a defined benefit Plan. The present value of the obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave encashment is recognized in the same manner as gratuity.

The following table sets out the Gratuity Plan and compensated absences as required under AS15. Reconciliation of opening and closing balances of the Present Value of the defined benefit obligation.

Changes in the present value of the Obligation

(In Rs.)

Particulars	Gratuity		Compensated absences
	2011	2010	2011
Obligations at Period beginning	32,08,642	26,04,562	44,36,059
Service Cost	6,93,281	7,16,174	7,01,266
Interest Cost	2,82,305	2,16,594	3,47,171
Actuarial (Gain)/Loss	(5,57,196)	(11,58,223)	(22,29,969)
Past Service Cost	2,77,409	8,29,535	--
Benefits paid	(86,614)	--	(404,533)
Obligations at Period end	38,17,827	32,08,642	28,49,994

Changes in fair value of Plan assets – Reconciliation of opening and closing balances:

Particulars	Gratuity		Compensated absences
	2011	2010	2011
Fair value of assets at the beginning of the period	--	--	--
Expected return on plan assets	--	--	--
Contributions	86,615	1,02,132	4,04,533
Benefits paid	(86,615)	(1,02,132)	(4,04,533)
Fair value of plan assets as at the end of the period	--	--	--

Actuarial Gain/(Loss) Recognised

Particulars	Gratuity		Compensated absences
	2011	2010	2011
Actuarial gain/(loss) for the period-Obligation	5,57,196	11,58,223	22,29,969
Actuarial gain/(loss) for the period-Assets	--	--	--
Actuarial gain/(loss) recognized in the period	5,57,196	11,58,223	22,29,969

Expenses recognized in the statement of Profit and Loss

Particulars	Gratuity		Compensated absences
	2011	2010	2011
Current Service Cost	693,281	7,16,174	7,01,266
Interest cost	2,82,305	2,16,594	3,47,171
Past Service Cost	2,77,409	8,29,535	
Expected return on Plan Assets	--	--	--
Net Actuarial(gain)/loss	(5,57,196)	(11,58,223)	(22,29,969)
Expenses/(Income) recognized in the Profit and Loss Account	6,95,799	6,04,080	(11,81,532)

Principal Assumptions

Description	2011	2010
Discount Rate	8.30%	8.20%
Salary Escalation rate	8.50%	10% for first 3 Years and 7% there after
Attrition Rate	5.50%	5.50%
Expected rate of return on plan assets	Nil	Nil

As the Company has not invested in the Assets to cover up the liabilities no further disclosures have been given. In the absence of the aforesaid information in respect of its foreign subsidiaries, the same has not been included for the purpose of disclosure.

11. Related Party Disclosures: (As identified by the Company)

(In Rs.)

Particulars	Key Management Personnel		Other Related parties		Total	
	2011	2010	2011	2010	2011	2010
Sale of Goods	53,255	--			53,255	--
Reimbursement of Expenses	--	19,478	--	--	--	19,478
Remuneration Paid	3,42,16,154	337,72,240	--	--	3,42,16,154	337,72,240
Salaries Paid	5,94,000	4,45,500	--	--	5,94,000	4,45,500
Rent paid	34,65,000	44,00,000	--	--	34,65,000	44,00,000
Equity accepted (Including Premium)	45,20,00,000	--	--	--	45,20,00,000	--
Balance Payables as on 31.3.2011	6,36,20,671	29,12,68,824	40,48,00,000	17,92,70,000	6,36,20,671	29,12,68,824

List of Related Parties: (as identified by the Company)

Key Management Personnel	Other related Parties
Mr.C.Shivakumar Reddy	SMR Holdings Private Ltd
Ms. C.Uma Reddy	
Ms. R .H Kasturi	

12. Unexpired Warranty Charges

(in Rs.)

Particulars	Opening Balance	Additions	Reversal	Closing Balance
Warranty Charges	45,79,27,489 (--)	Nil (45,79,27,489)	18,84,12,991 (--)	26,95,14,498 (45,79,27,489)

(The management has ascertained the Warranty liability that will accrue in the future periods as on 31st March 2011 and has reversed such excess liability to the Profit and Loss Account as at the year end. Being the first year of execution of warranty on such products sold by the Company, no track records are available to quantify the estimated liability to be retained in the books and hence the auditors have relied on the certificate of the management in this regard.)

13. Expenses incurred under the following heads, on account of capital items have been initially debited to the Profit and Loss account and thereafter it has been capitalised to the respective capital asset.

Head of Expenses	2011	2010
Salary and wages	1,34,30,611	60,102
Rent	46,64,624	2,341
Labour charges	46,78,790	32,61,253
Travelling and Conveyance	17,17,670	4,38,549
Transportation charges	10,01,365	1,07,746
Rates and Taxes	8,00,003	--
Insurance	1,30,304	--
Miscellaneous Expenses	25,91,208	2,21,641
Total	**2,90,14,575**	**40,91,632**

14. Details for Raw Material Consumption/Purchase of Goods:

(in Rs.)

Particulars	2011	2010
Raw Material Consumption	16,54,83,904	43,59,03,998
Purchase of goods	242,55,90,335	5,14,80,000

15. Disclosure on leased Assets:

a. Sub lease payments received on account of various properties let out amounts to Rs. 285,24,829/-

b. Future minimum sublease payments receivable on account of such sub-leasing out of properties :

(in Rs.)

Description	2011	2010
not later than one year	2,93,22,729	1,13,63,789
later than one year and not later than five years	14,12,13,848	4,99,37,239
later than five years	Nil	Nil

c. Future minimum Lease payments payable on account of taking on lease of properties:

Description	2011	2010
not later than one year	2,93,00,944	1,82,84,788
later than one year and not later than five years	12,91,93,771	7,73,11,667
later than five years	Nil	Nil

16. Stock option activity under the Kavveri ESOS 2008 Plan is given under:

	Shares arising out of options	Range of exercise price	Weighted average exercise price
Outstanding at the beginning of the year	1,26,445	Rs. 10.00	Rs. 10.00
Grants during the year	--	Rs. 10.00	Rs. 10.00
Forfeited during the year	1,520	Rs. 10.00	Rs. 10.00
Outstanding at the end of the year	1,24,925	Rs. 10.00	Rs. 10.00

The Company has followed intrinsic method of accounting based on which a compensation expense of Rs.36.78 Lakhs (Previous year 9.91 Lakhs) has been recognized in the Profit and Loss account.

17. The following reflects the income and share data used in the computation of Basic and diluted earnings per share:

Particulars	2011	2010
Net profit for the year	38,25,44,484	25,71,98,846
Shares		
Weighted average number of equity shares outstanding during the year-Basic (nos.)	107,03,947	1,00,60,800
Weighted average number of equity shares outstanding during the year-Diluted(Nos.)	1,13,05,584	1,01,11,220
Earnings per share of par value –Basic(Rs.)	35.74	25.56
Earnings per share of par value-Diluted(Rs.)	33.84	25.44

18. Figures pertaining to the Subsidiary Companies have been reclassified wherever considered necessary to bring them in line with the Company's Financial Statements.

19. The figures as on 31st March 2011 have been regrouped/reclassified, wherever necessary, to conform with the current period classification.

Signatures Accounting Policies and Notes to accounts

As per our report of even date
S.Janardhan & Associates
Chartered Accountants
Firms' Registration No.005310S

(B.Anand)
Partner
Membership No. 29146

Place: Bangalore
Date: October 04, 2011

AUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED ON MARCH 31, 2009, MARCH 31, 2010 AND MARCH 31, 2011

(Rs. In Lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
1. Cash Flow From Operating Activities				
Profit Before Tax		5,152.77	3,884.44	1,262.62
Add: Adjustment For:				
Depreciation		717.40	597.45	228.59
Interest Paid		1,354.45	1,272.26	1,251.07
Provision For Warranty		-	4,579.27	-
Provision For Bad & Doubtful Debts		-	25.01	-
Amortization of Deferred Stock Compensation Expenses		36.79	9.91	-
Loss on sale of Assets		0.86	-	14.56
Deffered Revenue exps		-	-	61.12
Other Non cash Items		273.23	(1,638.54)	(286.29)
Prior Period Income/ (Expenses)		-	(5.74)	2.83
Preliminary Expenses expenses written off		-	0.05	2.19
		7,535.50	8,724.11	2,536.69
Less: Adjustments for				
Excess Provision written Back		(1,884.13)	-	414.62
Interest on FD / other deposits		(39.51)	(142.02)	(75.84)
Operating Profit Before Working Capital Changes		5,611.86	8,582.09	2,875.47
Inventories		(3,248.15)	(2,295.15)	(325.24)
Debtors		1,131.89	(5,962.99)	327.71
Loans and Advances		(1,852.93)	(6,137.00)	(415.74)
Trade and other payables		(450.51)	(800.60)	2,348.08
Net Changes in Working Capital		(4,419.70)	(15,195.74)	1,934.81
Cash Generated from Operations				
		1,192.16	(6,613.65)	4,810.28
Less :- Taxes paid		735.67	60.78	277.43
Net Cash flow from Operating activities	**A**	**456.49**	**(6,674.43)**	**4,532.85**
2. Cash Flow From Investment Activities				
Purchase of Fixed Assets		(3,628.86)	(6,028.08)	(3,877.82)
Preliminery Expenses		-	(11.57)	(67.89)
Foreign Currency Transalation Reserve		48.71	24.03	(26.95)
Deduct Inflow				
Interest on FD/other deposits		39.51	142.02	75.84

(Rs. In Lakhs)

Particulars		For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Sale of Assets		2.50	83.74	16.90
Net Cash Flow from Investing Activities	**B**	**(3,538.14)**	**(5,789.86)**	**(3,879.92)**
3. Cash Flow From Financing Activities				
Increase in Securities Premium		4,520.81	3,703.22	-
Receipts from Share application money		1,223.81	-	-
Increase/(deacrese) in Loans Liability		(1,542.96)	9,918.12	(622.40)
Dividend Payout		(201.83)	(128.47)	(117.70)
Interest Paid		(1,354.45)	(1,272.26)	(1,251.07)
Net cash flow from Financing activities	**C**	**2,645.38**	**12,220.61**	**(1,991.17)**
Net increase/(decrease) in cash and cash equivalents	**A+B+C**	**(436.27)**	**(243.68)**	**(1,338.24)**
Opening Balance - Cash & cash Equivalents		**1,192.62**	**1,436.30**	**2,774.54**
Closing Balance - Cash & cash Equivalents		**756.35**	**1,192.62**	**1,436.30**

1. Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard -(AS-3) "Cash Flow Statements" notified by the Central Government under the Companies (Accounting Standard Rules), 2006

2. Purchase of Fixed Asset includes movement of Capital Work in Progress during the year.

3. Previous Year's figures have been regrouped/rearranged wherever considered necessary to conform to the classification for the financial year 2011.

LIMITED REVIEW REPORT

We have reviewed the accompanying statement of unaudited financial results of M/s.Kavveri Telecom Products Limited, Bangalore for the quarter ended June 30, 2011. This statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the Institute of chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free to material misstatement. Our review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed or that it contains any material misstatement.

For S.JANARDHAN & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn. No.005310S

PLACE: BANGALORE
DATE: 11th July, 2011

(B. ANAND)
PARTNER
Membership No.029146

KAVVERI TELECOM PRODUCTS LIMITED
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2011

(Rs. in Lakhs)

PARTICULARS	STANDALONE			CONSOLIDATED	
	Quarter ended (Unaudited)	Quarter ended (Unaudited)	Year ended (Audited)	Quarter ended (Unaudited)	Year ended (Audited)
	June 30, 2011	June 30, 2010	March 31, 2011	June 30, 2011	March 31, 2011
Net Sales/Income from Operations	8,057.45	3,547.76	25,557.14	9,072.16	30,870.31
Other Income	2.41	170.25	396.26	6.88	592.83
Total Income	**8,059.86**	**3,718.01**	**25,953.40**	**9,079.04**	**31,463.14**
Expenditure					
a) (Accretion) / Decretion in stock in trade	519.95	(1,820.38)	(3,224.87)	548.84	(3,712.01)
b) Raw Material Consumed	5,670.38	4,229.65	21,924.45	5,869.58	24,488.02
c) Staff Cost	170.75	159.82	721.26	331.43	1,951.04
d) Other Expenditure	100.74	79.73	590.96	290.33	1,801.62
Less: Expenditure Capitalized					(290.14)
e) Total Expenditure	**6,461.82**	**2,648.82**	**20,011.80**	**7,040.18**	**24,238.53**
Profit / (Loss) before Depreciation and Tax	1,598.04	1,069.19	5,941.60	2,038.86	7,224.61
Interest and financial expenses (net)	250.30	226.32	1,060.39	411.15	1,354.44
Depreciation	107.61	105.99	389.68	223.18	717.40
Exceptional Items					
Profit / Loss from Ordinary activities before taxation	**1,240.13**	**736.88**	**4,491.53**	**1,404.53**	**5,152.77**
Provision for Taxation:					
- Current Tax	403.00	229.92	1036.08	403.00	1,288.99
- Prior Period adjustments			43.83		43.83
Net Profit / (Loss) for the period	**837.13**	**506.96**	**3,411.62**	**1,001.53**	**3,819.95**
Less: Share of Minority Interest Loss					62.01
Extraordinary Items (net of Tax)					
Add:MAT Tax Credit					67.50
Net Profit / (Loss)	837.13	506.96	3,411.62	1,001.53	3,825.44
Paid up Equity Share Capital (Rs.10/- each)	1,686.90	1,006.90	1,406.90	1,686.90	1,406.90
Basic (Rs)	5.10	5.03	31.87	6.11	35.74
Diluted - EPS (Rs.)	5.00	5.03	30.18	5.99	33.84
Public Shareholding:					

- No. of Shares	1,05,98,407	85,99,012	85,99,012		
- Percentage of shareholding	62.83%	85.40%	61.12%		

1. The above results were reviewed and recommended by the Audit Committee and were subjected to a Limited review by the Statutory auditors of the Company and taken on record by the Board of Directors at their meeting held on July 11, 2011

2. The details of Investors complaints received and resolved for the quarter ending 30.06.2011

Opening Balance	Received	Addressed
NIL	NIL	NIL

3. The Company's operations are predominantly manufacturing of telecommunication equipments which constitute a single segment and hence segment-wise reporting is not applicable.

4. Five Lakhs shares of Promoter had been pledged with the Bankers for the banking facilities availed by the company.

5. Since the company has opted to give consolidated (Unaudited results) as an additional information for the first time no corresponding previous Quarter figures have been given

6. The Company allotted 20,00,000 equity shares to non –promoters and 8,00,000 equity shares to promoters , pursuant to conversion of warrants , vide board resolution dated 02.06.2011.

7. The Board of Directors in their meeting held on 02.06.2011 have approved raising funds through QIP , up to an amount of Rs. 75 crore and the said issue via QIP was approved in the Extraordinary General Meeting held on 04.07.2011.

Place : Bangalore

For and On Behalf of the Board

Date : 11th July 2011

C.Shivakumar Reddy
Managing Director

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, all relevant provisions of Chapter VIII of the SEBI Regulations, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. All approvals and permissions required to carry on its business have been obtained and our Company further certifies that all statements in this Preliminary Placement Document are true and correct.

SIGNED BY ALL THE DIRECTORS OF KAVVERI TELECOM PRODUCTS LIMITED:

C. Shivakumar Reddy **Chairman and Managing Director**	**L.R. Venugopal** **Independent Director**
R.H. Kasturi **Executive Director**	**B.S. Shankarnarayan** **Independent Director**
L. Nicholas **Director (R&D)**	**V. Jagdish Chamarajanagara** **Independent Director**

SIGNED BY THE PRESIDENT AND CHIEF OPERATING OFFICER
C. Uma Reddy

SIGNED BY THE COMPANY SECRATARY AND COMPLIANCE OFFICER
Madhwesh K.

Date: October 14, 2011
Place: Bangalore

OUR REGISTERED OFFICE

Kavveri Telecom Products Limited
Kaveri Industrial Complex,
No. 31-36, I Main, II Stage, Arekere MICO Layout,
Bannerghatta Road, Bangalore- 560076
India

GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER

Enam Securities Private Limited
801, Dalamal Towers
Nariman Point
Mumbai - 400 021
India

CO-BOOK RUNNING LEAD MANAGER

Saffron Capital Advisors Private Limited
A 102, Everest Grande
Mahakali Caves Road, Andheri (E)
Mumbai – 400 093,
Maharashtra, India

LEGAL ADVISOR TO THE ISSUE

Axon Partners LLP
Suite 603
Silver Arch
22 Feroz Shah Road
New Delhi 110 001
India

AUDITORS TO THE COMPANY

S. Janardhan and Associates
Chartered Accountants
Apartment No. 103 & 106
Embassy Centre
Bangalore-560 001
India