



KRISHNAPATNAM PORT COMPANY LIMITED

Registered Office: 1259, Lakshmi Towers, Road No. 36, Jubilee Hills, Hyderabad – 500033
Tel: + 91 40 23557190 Fax: + 91 40 23550541

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Tel: + 91 40 23557190 Fax: + 91 40 23550541

Contact Person: Mr. K. Yughandhar – Company Secretary
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SCHEDULE – I DISCLOSURE AS PER SEBI GUIDELINES FOR THE ISSUE OF DEBENTURES ON PRIVATE PLACEMENT BASIS

Issue of 2500 Secured Redeemable Non-Convertible Debentures at a face value of Rs. 10,00,000/- each, for cash at par, aggregating to Rs 250 Crores.
General Risk
Investors are advised to read the Risk Factors carefully before taking an investment decision in this offering. For taking an investment decision the investor must rely on their examination of the offeror and the offer including the risks involved. The Issue of Debentures has not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.
Credit Rating
ICRA has assigned 'LBBB+ (SO)' rating to these Debentures. This rating is considered to be moderate credit quality rating. The rated instrument carries higher than average credit risk. The rating is not recommended to buy, sell or hold Securities and investors should take their own decision. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating. The rating obtained is subject to revision at any point of time in the future. The rating agencies have a right to suspend, withdraw the rating at any time on the basis of new information etc.
Listing
The Secured Redeemable Non-Convertible Debentures are proposed to be listed on the WDM segment of Bombay Stock Exchange Limited (BSE).

Registrar to the Offer :-

Karvy Computershare Private Limited,
Karvy House, 46, Avenue 4, Road No. 1,
Banjara Hills, Hyderabad – 500 034
Tel: + 91 40 23312454 Fax: + 91 40 23311968
Email: Varghese@karvy.com

Issue opens on: 31st December, 2008

Issue Closes on: 31st December, 2008 (1st Lot) &
28 th January 2009 (2nd Lot)



BOST	:	Build, Operate, Share & Transfer
CA	:	Concession Agreement
CD	:	Chart Datum
DPR	:	Detailed Project Report
DWT	:	Dead Weight Tonnes
EPC	:	Engineering, Procurement & Construction
GoAP	:	Government of Andhra Pradesh
GRT	:	Gross Registered Tonnage
KPCL	:	Krishnapatnam Port Company Ltd.
MoU	:	Memorandum of Understanding
MTPA	:	Million tonnes per annum
MW	:	Mega Watt
NEC	:	Navayuga Engineering Company Ltd.
NPL	:	NATCO Pharma Ltd.
SPC	:	Special Purpose Company
TEU	:	Twenty Equivalent Unit
TPA	:	Tonnes per annum
USD	:	United States Dollar



i. Name and address of the registered office of the issuer

Name	Krishnapatnam Port Company Limited
Registered office	1259, Lakshmi Towers, Road No. 36, Jubilee Hills, Hyderabad – 500 033, Tel: + 91 40 23557190 Fax: + 91 40 23550541

ii. Names and address of the Board of directors of the issuer :

The following table sets forth details regarding our Board of Directors as on 30th December, 2008

01	Name Designation Address	Chinta Visweswara Rao Chairman & Managing Director Plot No.550/1/A, Road No.92, Phase – III, Jubilee Hills, Hyderabad – 500 034.
02	Name Designation Address	Chinta Sasidhar Joint Managing Director Plot No.550/1/A, Road No.92, Phase – III, Jubilee Hills, Hyderabad – 500 034.
03	Name Designation Address	Chinta Sridhar Non Executive Director D.No.9-29-24/9, Balaji Nagar, Siripuram, Visakhapatnam – 530 003.
04	Name Designation Address	Satish Banarsilal Puri Director My Home Navdweepa Apartments, Vayu Block,104,Madhapur, Hyderabad – 500033.
05	Name	Dr. Srinivas Madala



	Designation	Additional Director (Non Executive)
	Address	Door No.8-2-554/1/R,NEW No.52,Road No.4,Banjara Hills, Hyderabad-500034.
06	Name	R. Venkateswara Rao
	Designation	Additional Director (Non Executive)
	Address	D.No.9-15-7, C B M Compound, Visakhapatnam, Pincode – 530003.
07	Name	Ch. Padmaraju
	Designation	Additional Director (Non Executive)
	Address	9-2-2,C – Street, Samalkot, East Godavari Dist, Andhra Pradesh Pincode – 533440.

iii. A brief summary of the business/ activities of the issuer and its line of business

Krishnapatnam is a minor port in the state of Andhra Pradesh on the eastern coast of India at Latitude 14°15'N and Longitude 80°18'E. The port is approximately 170 km north of Chennai. Nellore is the nearest major town to the port, located at a distance of 25km. The port is located at the distance of about 1km from the confluence of Khandaleru River with the Bay of Bengal, and has an estuarine basis 1.5km long and 1km wide. The interstate navigation canal called "Buckingham Canal" flanks the port area on its western side. A lighterage port at Krishnapatnam has been in operation since 1956. Ships were anchored off the port at a distance of about 5km, where the water depth is around 10 m, and the cargo is transferred from ships to the port jetties by lighters during fair weather periods.

In consonance with the programme of liberalization, State Government of Andhra Pradesh (GoAP) had invited bids from private sector parties for the development of four minor ports in the State, including Krishnapatnam Port, on Build, Operate, Share & Transfer (BOST) basis. GoAP accepted the offer for development of Krishnapatnam Port by the NATCO group-led consortium. GoAP & the NATCO Group of Companies have entered into a Memorandum of Understanding (MoU) in this regard on March 10, 1996. On 15th March 1996, NATCO Group of Companies incorporated Krishnapatnam Port Company Ltd.



(KPCL) as a Special Purpose Company (SPC) for the development of the Port. Subsequently the Concession Agreement (CA) was executed between GoAP & KPCL on January 4, 1997. KPCL requested GoAP for certain amendments in agreement in order to make the project bankable and in line with other port concessions given to private developers in the state. GoAP has agreed to certain amendments to the agreement dtd. 04/01/1997. GoAP has approved the DPR on 25/06/1999. The DPR was revised by KPCL and submitted to GoAP on 07/04/2003. Subsequently, the revised CA was executed between KPCL & GoAP on September 17, 2004. Subsequently, the NAVAYUGA Group has joined the consortium as a majority partner.

The Concession grants to KPCL the exclusive right and authority for designing, financing, building, owning, maintaining, operating and transferring an all-weather, deep water, multi-purpose port at Krishnapatnam. KPCL will have the full freedom for fixing and revising tariff for various port services provided to the users. KPCL will act as the Port Conservator having such powers and duties as provided in the Indian Ports Act, 1908. The Concession will be for a period of 30 years from the Commercial Operations Date. The concession period is extendable by another 20 years (two blocks of ten years) at the option of KPCL. KPCL would be required, during the 30-year concession period, to pay Concession Fee equal to 2.6% of its Gross Income.

GoAP has already provided to KPCL, land admeasuring 269.95 acres (which includes stacking area of 2,145 sq. m), which would be sufficient for the development proposed in Phase-I. Also, GoAP is in the process for acquiring around 5730 acres of land required for execution of the remaining phases of the development. As per the terms of Concession Agreement GoAP will also provide external infrastructure viz. road connecting the nearest National Highway, water supply and power supply upto the boundary of the port.

GoAP has also undertaken to provide fiscal concessions for the Project including exemption from sales tax on all inputs required for project construction, exemption from stamp duty and registration fees on the first transfer of land, from GoAP to KPCL, on project agreements / financing agreements registered in the state and payment of segnorage fees i.e. cess on minor minerals during the construction period.

An agreement has been already signed between Rail Vikas Nigam Limited (RVNL), KPCL, GoAP and National Minerals Development Corporation (NMDC) in the Special Purpose Company called Krishnapatnam Rail Company Limited (KRCL), meant for construction of rail project connecting Krishnapatnam port



to Hastavaram / Obulavaripalli. RVNL and KPCL are holding 30% each of the equity while GoAP is holding 13% of the equity towards the cost of the land required for the said Rail project.

The CA also provides that no party other than KPCL will have the right to develop a new port within 30km on either side of the Port Limits during the concession period. The CA further provides that under any event of termination of the Agreement, the termination payments will be at least equal to the debt outstanding of the project lenders.

Krishnapatnam port is being developed by a NAVAYUGA Group as a deep-water all weather port, which in Phase – I will have the capacity to handle 13.5 million tones per annum (MTPA) traffic comprising mainly of iron ore, thermal and coking coal. The Financial Closure for the Phase-I was achieved on 16th October 2006. Phase-I of the development has been designed to achieve a throughput of 14.5 MTPA by the 6th year of operation comprising 9 MTPA of iron ore exports, up to 4 MTPA of thermal & coking coal imports and general cargo traffic of up to 1.5 MTPA. It is planned to construct three berths – one each for iron ore, coal and general cargo with a draft of 12 m.

The said Phase-I plans have been prepared considering the future capacity expansion requirements consistent with the overall plan for the port development and having regard to the international trends in respect of ship sizes for carrying different types of cargo.

Phase-I for development of the Krishnapatnam port comprises the development of following facilities:

- Breakwaters (North breakwater – 609 m long; South breakwater – 1,574 m long);
- Approach channel & maneuvering areas;
- Navigational aids;
- Berthing jetties – one coal berth, one iron ore berth and one multi-purpose berth;
- Stackyard for iron ore & coal;
- Utility buildings;
- Services such as water, power, control systems and security.

The Phase – I was initially be designed to initially cater to vessels of up to 60,000 DWT, which will be upgraded in later stages to handle capacities of 200,000



DWT. Dredged level at berths during Phase-I will be -13.2 m Chart Datum (CD). Total berth length will be 850m.

Subsequently, there was an addition of one berth in Phase I for handling Coal imports upto 7 MTPA. This berth will mainly cater to the coal requirement for JSW Steel for their proposed expansion in steel plant and its proposed 650 MW power plant in Vijayanagar in Karnataka. This additional berth will also be commissioned along with the earlier 3 berths in Phase I.

The trial operations for the Phase I development have already started since July 2008 and the Commercial operations are expected to start by March 2009. The port has already handled 5.5 million tonnes of cargo in 6 months of operation i.e. upto 31-12-2008 and expects to handle a total of around 9 million tones of cargo in the current fiscal year.

Now, the company is planning for the Phase II development of the Krishnapatnam Port within the port limit for around 45 million tonnes of Coal imports for the upcoming power plants in the immediate vicinity of the port; Containerized cargo export / import initially as a low / medium output terminal using one berth to the extent of 40,000 TEU/year increasing to about 150,000 TEU/year in 3 years; and General Cargo starting with about 3 to 3.5 MTPA. As a result, the following facilities are planned for the phase II operation:

- 4 Coal berths with cargo handling equipments and facilities;
- 1 start-up Container Terminal using one berth with equipments;
- 2 General Cargo berths with equipments so as to handle multi commodity like cement & clinker, steel, granite, bayrites and other break bulk cargo.
- Dredging to the extent of about 20 million cu.m. at the berths, inner & outer channels and turning circle to facilitate navigation of large vessels.
- 4 additional market buoys to serve as navigational aids at the breakwaters and berths.
- North breakwater to be extended upto -5.5m contour.
- Other necessary civil infrastructure like buildings, internal roads & drainage and electrical works.

The consolidated financials of the company are as follows:



KPCL PAST FINANCIAL PERFORMANCE (Rs. in Crores)						
For year ended March 31,	2003	2004	2005	2006	2007	2008
Total Income	0.00	0.00	0.00	0.00	12.47	49.86
Gross Profit	0.00	0.00	0.00	0.00	0.72	6.29
Gross Profit Margin (%)	0.00	0.00	0.00	0.00	5.77	12.62
Financial Expenses	0.00	0.00	0.00	0.00	0.03	0.70
Depreciation	0.00	0.00	0.00	0.00	0.17	0.50
PBT	0.00	0.00	0.00	0.00	0.52	5.09
Current Tax	0.00	0.00	0.00	0.00	0.04	1.46
Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.03	0.06
Deferred Tax	0.00	0.00	0.00	0.00	0.09	(0.09)
PAT	0.00	0.00	0.00	0.00	0.36	3.36
Gross Cash Accruals	0.00	0.00	0.00	0.00	0.53	4.16
Gross Block	0.79	0.93	2.35	2.43	3.04	18.39
Net Block	0.69	0.80	2.18	2.15	2.59	17.43
Capital Work in Progress	4.58	5.43	6.31	79.40	249.93	850.00
Unallocated Expd. Pending Capitalization	6.99	9.15	12.92	31.87	44.57	91.10
Investments	0.00	0.00	0.00	0.00	21.85	29.25
Current Assets	0.89	0.21	0.78	0.34	57.24	90.38
Current Liabilities*	11.71	14.15	20.55	80.31	50.06	166.10
Borrowings	0.00	0.00	0.00	0.00	229.20	685.84
Unsecured Debt	0.00	0.00	0.00	0.00	0.00	0.00
Equity Capital	0.05	0.05	1.65	30.00	41.50	80.25
Share Application Money	1.41	1.41	0.02	3.46	38.00	10.00
Reserves & Surplus	0.00	0.00	0.00	0.00	0.36	144.86
Less: Misc. exp. not w/o	0.02	0.02	0.02	0.02	0.02	8.90
Net worth	1.44	1.44	1.65	33.46	79.95	235.10
*Excluding bank borrowings						

CVR Navayuga Group:

CVR Navayuga Group is a Rs. 250 Billion (USD 5.50 Billion) Conglomerate with interests in activities as diverse as Engineering, Construction, Ports, Power, Software Development and Exports. The main group companies are:



- Navayuga Engineering Company Ltd
- Krishnapatnam Port Company Ltd
- Navayuga Power Corporation Ltd
- Navayuga Infotech Pvt Ltd
- Navayuga Exports Pvt. Ltd.
- Navayuga Steel Ltd

Navayuga Engineering Company Ltd. (NECL), promoted by Shri. C Visweswara Rao is the flagship entity of the NAVAYUGA Group. NECL was incorporated in the year 1986 – its focus areas being construction of Pile foundation, Diaphragm wall and Marine structures like Berths, Wharves and Jetties, roads and bridges, irrigation projects, buildings and infrastructure.

Over the years, NECL has grown multifold adding expertise and capabilities in the areas of special foundations, large diameter bored piles and diaphragm walls, ground improvement techniques, industrial structures, roads and bridges. NEC's track record in the industry and efforts enabled it to take up multi-disciplinary Turnkey projects on EPC basis and infrastructure facilities on Build, Operate & Transfer (BOT) and Annuity payment basis. NEC has a well-equipped design cell, manned by engineers with exclusive experiences in the design of marine / industrial structures, bridges etc.

NECL is one of the few Indian construction companies having the specialized equipment and expertise for the execution of bored piles up to 1,700 mm in diameter and 65 m in depth. NEC has executed over 1,000,000 RM of bored piles and 200,000 sq. m of RCC diaphragm walls with thickness of up to 1,100 mm. NEC has constructed over 5.50km of berthing structures including berths, jetties, wharves, docks, etc. for a number of major ports in India. NEC has also carried out over 2 million tonnes of rock and armor fill for break waters, reclamation and protective bunds including Quarrying, Transportation and Placements.

Natco Group:

Natco Pharma Ltd. (NPL), the flagship company of Hyderabad-based NATCO Group, was promoted by Shri. V. C. Nannapaneni for carrying out the business of research, development, manufacturing and marketing of pharmaceutical substances and finished dosage forms for Indian and international markets. NPL has, over the years, introduced many dosage forms in Cardiovascular, Anti-cold, Anti-Asthmatic and Antibiotic segments. NPL's business comprises of



three divisions – Active Pharmaceutical Ingredient (API) division, Finished Dosage Formulation division and Contract Manufacturing & Research division. NPL is one of the major contract manufacturers in India with a clientele comprising some of the well known companies like Ranbaxy, Dr. Reddy's Laboratories, John Wyeth, etc.

Industry Analysis

The hinterland of a port is determined by its geographical location, by road and rail networks in the area, the connection of the port to these networks and by the proximity of other ports. The immediate hinterland of KPCL is identified as consisting of the districts of Nellore, Prakasam, Chittoor, Cuddapah, Kurnool and Ananthapur in the state of Andhra Pradesh. The extended hinterland includes the districts of Guntur, Krishna, Nalgonda, Khammam, Hyderabad and Mahboobnagar in AP; south- eastern Karnataka (Bellary – Hospet region) and northern Tamil Nadu (Chengai MGR and North Arcot).

A map of the location and hinterland of Krishnapatnam port is shown below.



Apart from the natural hinterland of the port, the quality of service provided by the port and the logistics infrastructure available add to its hinterland. If KPCL



can provide better services, it can attract traffic from the nearby ports of Chennai and Ennore in the east as well as Mangalore, Mormugao in the west.

The hinterland of KPCL is rich in minerals such as Mica, Barytes, Limestone, Iron Ore, Quartzite, Dolomite, and Granite etc. The main industries are agro-based like cotton yarn, tobacco, sugar, fruit processing, oil extraction, dairy products, aqua culture etc. The other industries are mineral based such as mica mining, granite quarrying and polishing, cement plants etc, steel based and chemical based.

The hinterland is well connected to the port through road and rail transport system. Krishnapatanam port is connected to nearest town of Nellore by a 27km long district road. There is another district road, which connects NH-5 (Chennai – Kolkata) to the port at Venkatachalam. Company is constructing a dedicated six-lane road from the port to NH5, which will be ready by January 2009. The nearest railway station to the port is Venkatachalam. The broad gauge trunk line connecting Chennai with East & North India, passing through Nellore runs parallel to the coast line about 25 Km from the port site. Company is also constructing dedicated rail line from the port to Venkatachalam, which will also be ready by March 2009.

KPCL's business plan for Phase-II envisages handling of non containerized dry cargo arising out of Captive / Non captive and Hinterland based industry requirements. The General Cargo profile comprises mainly of

- Coal
- Iron & Steel
- Cement & Clinker
- Fertilizer
- Agri commodities like Wheat; Rice and Pulses
- Granite & Minerals
- Project Cargo mainly ODC
- Others like Scrap, Forest Product etc

On analyzing the above-mentioned commodities, it is evident that the cargo profile of Krishnapatanam Port broadly falls in three major categories, namely:

- **Captive Cargo** i.e. Cargo which is assured because of either locational advantages and / or the facilities created at the port to cater the particular cargo requirements.



- **Hinterland Cargo** i.e. Existing / potential cargo of the hinterland situated in close vicinity of the port that Krishnapatnam will serve. It is logical for this cargo to get attracted to Krishnapatnam due to its location and its associated distinct logistical advantages.
- **Non Captive Cargo** i.e. Existing / potential cargo of areas situated in close vicinity or far off from the main hinterland. The said cargo will be attracted to Krishnapatnam due to overall facilities / infrastructure; cost effectiveness and enhanced service levels to the end users compared to competition.

For the purpose of financial projections only captive and hinterland cargo is being considered. A brief analysis of the Captive and Hinterland cargo is discussed below:

Captive Cargo

-Thermal & Coking Coal Imports

The vicinity of Krishnapatnam has existing thermal power plants of over 4,000 MW. The existing power plants consume domestic coal procured from Mahanadi Coalfields Limited (MCL) or Singareni Collieries Company Ltd. (SCCL). Any coal coming from MCL, is currently transported by rail-sea-rail route i.e. from Talcher to Paradip port by rail, then by sea from Paradip to Chennai port. Finally, coal is transported by rail from Chennai port to the respective power plants of Raichur and Rayalseema. Krishnapatnam will become a natural choice for Raichur Thermal Power Station, Rayalseema Thermal Power Plant, JSW Power Plant and Bellary Thermal Power Plant, as it will save them considerable amount of freight costs if they use Krishnapatnam over Chennai port. Following the same rationale all the power plants in the hinterland having coal linkage with MCL will stand to gain by using Krishnapatnam port rather than currently used Chennai port. Also in case there is any delay in procuring coal from these mines these power plants may also go for imported/blended coal using Krishnapatnam port. Total coal forecasts to be handled by Krishnapatnam port for these plants from the year 2012-13 is estimated at 12 million tonnes.

Also by 2015, over 9,000 MW of additional capacity is proposed to be constructed in the vicinity of Krishnapatnam port. Reliance power is constructing 4000 MW UMPP based on imported coal at Krishnapatnam port. KPCL has entered into a agreement with Reliance Power for handling 14



million tonnes of coal for their upcoming 4000 MW UMPP. UMPP shall start commissioning its units from 2012-13 and will go full stream from 2015-16.

APGENCO is setting up a 1,600 MW thermal power plants at Krishnapatnam port. The power project is proposed to be implemented in two phases, with the first phase having a capacity of 800 MW expected to be commissioned in 2009-10 and second with the same capacity in 2012-13. Annual coal requirement for the said plant would be about 5 million tones. APGENCO is proposing to use blended coal for the same with 30% of the requirement to be imported via Krishnapatnam port. For the rest 70% company has received LOA from MCL and it plans to transport the coal via sea route using Krishnapatnam port. KPCL shall install a conveyor system directly from the port to the APGENCO power plant for transporting the same. KPCL has also entered into agreements with AP GENCO for assured coal traffic at the port.

Other power plants coming up in the vicinity of Krishnapatnam port and who plans to use the same for importing coal are Vikas Power Private Ltd (540 MW, 2 million tonnes), Simhapuri Energy Private Limited (540, 2.4 million tonnes), Navayuga Engineering Ltd (1900 MW, 6.7 million tonnes), BBI Power Ltd (520 MW, 1.8 million tonnes), GVK Power Limited (500 MW, 1.8 million tonnes).

For the purpose of financial projections in the base case scenario that also takes into account various delays in implementation of above mentioned plants etc it has been considered that KPCL would handle about 35 million tonnes of coal annually.

Hinterland Cargo

Any port serving its immediate hinterland has a distinct location advantage compared to its competitors. Similarly, Krishnapatnam will be the only available alternative to the various existing and potential industries proliferating in its vicinity. The major such cargo targeted is as under:

Granite

India is one of the few countries in the world possessing a wide spectrum of dimensional stones i.e. Granite, Marble, Sandstone, Limestone, Slate, Quartzite etc., and these dimensional stones are considered to be the major export commodity in India. Karnataka, Andhra Pradesh and Tamilnadu are the three major granite-exporting regions in India. On the east coast granite exports are primarily handled at Visakhapatnam, Kakinada, Chennai & Tuticorin. Visakhapatnam Port primarily handles granite coming from northern districts of



Andhra Pradesh. Kakinada is presently receiving granite cargo from Ongole region. However a significant volume of granite produced in Andhra Pradesh is moving to Chennai and other ports, which provide better frequency of vessels and good rail connectivity. Krishnapatnam being strategically located in the Nellore district can attract significant amount of granite cargo from Ongole; Kadapa and Anantpur region, which are presently being handled at Kakinada / Chennai port mainly because of the distance factor. The rail connectivity at Nellore reduces the distance from Ongole to Krishnapatnam as compared to Kakinada by 250 Kms. Rail connectivity is considered for transportation of granite blocks as they are heavy cargo and weight of single block could range from 25 to 50 tones or more. Moreover Krishnapatnam would also provide adequate facilities in terms of berth, stockyard and cranes for facilitating granite exports.

Barytes

Andhra Pradesh has large reserves of Barites and accounts for 95% of barytes production in India. These reserves of barytes are concentrated in Cuddapah, Prakasam and Nellore districts of Andhra Pradesh. Presently Chennai port is handling almost entire Barytes exports generated from Andhra Pradesh & adjoining regions. Chennai has an advantage over Krishnapatnam port in terms of rail distance. To overcome the same Krishnapatnam has signed an MOU with Rail Vikas Nigam Ltd. for developing a rail route between Obulavaripalle and Krishnapatnam, which is going to be operational by 2010/11. In addition to this, the distance disadvantage could be marginalized to a great extent by providing a deep draft facility, which would facilitate handling of larger parcel size vessels, thus bringing down the shipping costs. Further the port would also provide quay cranes for loading of barites thus providing an option of using gearless vessels. KPCL would also provide large plots to be used as stockyards by exporters. Based on the above factors, it is clear that Krishnapatnam Port will be able to secure a significant portion of barites exports.

Iron & Steel

The locations, which are south of Hyderabad, can be considered as the primary hinterland of the Krishnapatnam port for steel related import and exports. Steel companies, which are in Bellary –Raichur – Nalgonda region of Karnataka & Andhra Pradesh, will provide export cargo to Krishnapatnam. Moreover, Krishnapatnam can attract more and more share of its own hinterland because of the logistical connectivity it provides to its end users like Brahmani Steel and SBQ Steel. Further, the number of foundries of Western Andhra Pradesh and Eastern Karnataka imports Iron scrap as their raw



materials. Krishnapatnam port will be preferred as a port due to its various advantages.

Agri-Commodities

Krishnapatnam's immediate and secondary hinterland is one of the major rice producing regions accounting for approximately 30% of rice production in Andhra Pradesh. It has a significant share in non-basmati rice exports from India. Currently, Kakinada anchorage port is the main gateway for rice exports from the region. Considering the proximity of Krishnapatnam port from various rice producing districts, it is estimated that a significant volume of rice exports from its immediate hinterland could shift to Krishnapatnam. As far as wheat imports are concerned, the actual volumes would largely depend on government policies and domestic production. Further, the estimated wheat import traffic on the East coast of India is likely to be shared by multiple ports. Krishnapatnam is expected to handle close to 0.8 m tones of food grains traffic by 2020- 21 from 0.3 million tonne in 2008-09.

Fertilizers

Historically, India has been an importer of fertilizers with growth in production capacities hampered by unavailability of raw materials, unfavorable pricing policies and rising input costs. As per the provisional estimates, India's fertilizer production in 2007-08 declined to 32.7 million tones, whilst the fertilizer imports increased to almost 14.3 million tones (~44% of total production). The port, in case of Urea imports, is primarily chosen on the basis of its proximity to the actual consumption centers and the available infrastructure for handling and storing fertilizers. Currently, on the East coast of India, fertilizer importers are facing severe constraints in terms port capacity and are looking for alternate ports facilities. As per the consultants estimate, Krishnapatnam can become a good alternative to Chennai, Visakhapatnam, Kakinada to serve Southern Andhra Pradesh, North and East Karnataka and Northern Tamil Nadu. It is expected that due to logistical advantage, coastal states should have higher propensity to import fertilizers than land locked states to overcome the demand supply gap. Fertilizer imports in 2007-08 in Krishnapatnam's immediate and secondary hinterland were around 35% of the total consumption, as compared to a national average of 30%. On this basis, fertilizer imports in Krishnapatnam's hinterland can be estimated at around 3.9 million tones over the same period.

Container Traffic

India's container traffic has been growing at a compound average growth rate (CAGR) of 14% over the past decade. The major containerized



commodities driving volumes in India are textile, automobile, auto components, engineering and capital goods. Container handling capacity in India is set to increase from over 7.7m TEU in 2006-07 to around 31.5 m TEU by 2019-20. Currently, the share of Northern and North West hinterland region in India container traffic is around 66.2%. However, with the expected growth in the East Coast traffic, this share is likely to move down to around 60% by 2020-21.

Central east coast, which is the immediate or primary hinterland for the Krishnapatnam port, is vast and most complex in terms of traffic movement. The main centers in this hinterland are Nagpur, Hyderabad, Guntur, Kakinada and Visakhapatnam. The major cargo generated from these regions is listed down as under:

- o Nagpur (about 53,000 TEU p.a.) - Steel, Yarn, Chemical, rice, castings and waste paper, heavy metal scrap, pulses, raw cotton and industrial chemicals. Most of the cargo is handled through JNP although; Chennai handled a miniscule in FY 2007.
- o Hyderabad (about 60,000 TEU p.a.) – Export commodities like granites, electrical and electronics, paper and paper boards, agro and food products, pharmaceutical products. Similarly, major import commodities are asbestos fibre, chemicals, pharmaceuticals, machinery and equipments, building material and sanitary ware etc. 30% exports and 20% imports of Hyderabad transit via Chennai, so for Krishnapatnam port this container movement will be the easiest to tap.
- o Guntur (about 36,000 TEU p.a.) – Export items like tobacco, spices, cotton, granite, coffee and processed food which constitute about 90% of the trade. Import items are Coffee beans & Food pulp only. Most of the trade is routed through Chennai currently.
- o Kakinada (about 8,000 TEU p.a) equally handled by Chennai & Visakhapatnam.
- o Lower East Region i.e. Chennai, Coimbatore, Tuticorin, Salem, Bangalore, Madurai, Tirupur and Pondicherry - chemical, food stuff, marine products, textiles and fabric, steel, coffee, stone and granite, pharmaceuticals, electronics, automobile and components, rubber and rubber products, rice, spices, coffee etc.

Krishnapatnam derives an edge over the other ports in the East coast with the following advantages:



- a) Logistical Connectivity by facilitating the rail linkage between Obulavaripalle and Krishnapatnam via Venkatachalam, which is already under construction.
- b) Highly mechanized and better facilities to handle container traffic and enhanced operational performance with better supporting infrastructure.
- c) Lower port tariffs.
- d) Chennai container terminal suffering from severe capacity constraint coupled with logistics bottlenecks within the city limits and also there is a restriction in the transit of container trailers within the city limits during daylight hours
- e) Deep draft facility would facilitate handling of larger size vessels, thus bring in economies of scale, which is currently lacking at the competing facilities.
- f) Adequate infrastructure for faster turnaround of vessels. The proposed quay length of 2.4 kms would provide sufficient berthing space thus resulting in minimum or zero pre berthing delays.
- g) Can effectively serve major cargo centers in AP and Bellary-Hospet region.
- h) Can become gateway for East bound traffic of North India.

Based on the above estimates, traffic consultant has estimated conservative container traffic of 1,50,000 TEU's for the Krishnapatnam port.

A brief snapshot of total traffic projected for the port in the next five years is presented in the table below:

	Company/Industry/Area	2009	2010	2011	2012	2013	2014
Captive Cargo							
Coal Import for power plants	Reliance UMPP (4000 MW)					3.5	9.0
	AP Genco (1600 MW)					2.5	4.0
	Simhapuri Power – Madhucon group (540 MW)				2.0	2.0	2.0
	Vikas Power Private - Minakshi group (540 MW)				2.0	2.0	2.5
	BBI Power (520 MW)						2.0
	Krishnapatnam Power – Navayuga (1900 MW)					1.5	3.5
	GVK Power (500 MW)						2.0



	JSW steel (600MW)	3.0	4.0	5.0	5.0	5.0	5.0
	Total	3.0	4.0	5.0	9.0	16.5	30.0
Hinterland Cargo							
Iron ore exports	Bellary – Hospet Region	5.0	7.5	8.0	9.0	9.0	9.0
	Total	5.0	7.5	8.0	9.0	9.0	9.0
Granite exports	Ongole, Kadapa & Anantapur	0.25	1.00	1.00	1.00	1.00	1.00
Barytes exports	Nellore/Gudur		0.75	1.00	1.00	1.00	1.00
Bentonite exports	Anantapur and adj. area	0.25	0.50	0.50	0.50	0.50	0.50
Steel exports	SBO Steel (Gudur area, Nellore)				1.00	1.00	1.00
	Brahmani Steel (Kadapa dist)				1.00	1.00	1.00
Rice exports	Vicinity of Port		1.00	1.00	1.00	1.00	1.00
Fertilizer imports	Urea	0.75	1.00	1.00	1.00	1.00	1.00
Other cargo include export of paper, pulp, wheat and other cargo			2.00	2.00	2.00	2.00	2.00
	Total	1.25	6.25	6.50	8.50	8.50	8.50
Container cargo (TEU's)	Total	0.15	0.22	0.25	0.25	0.25	0.25
Coal import for Cement plants	Cement cluster at Nalgonda and Yerraguntla	1.0	1.50	1.50	3.0	3.0	3.0
Coal import for non captive power plants	Rayalseema, Raichur, Bellary thermal power plants		1.50	2.0	3.0	3.0	3.0
	Total	1.0	3.0	3.5	6.5	6.5	6.5



- iv. **A brief history of the issuer since its incorporation giving details of its activities including any reorganization, reconstruction or amalgamation, changes in its capital structure, (authorized, issued and subscribed) and borrowings, if any.**

The Government of Andhra Pradesh has entered into an agreement for Development of Krishnapatnam Port on 4th Day of January 1997 with Krishnapatnam Port Company Ltd., promoted by Hyderabad based 'Natco Group' (Consortium of Natco Pharma Ltd., HAM Dredging and Marine Contractors and India Investments Inc etc.).

The Government of Andhra Pradesh has entered into an Revised Concession Agreement on 17th Day of September 2004 with Krishnapatnam Port Company Ltd., promoted by Hyderabad based 'Natco Group'.

Hyderabad based 'CVR Navayuga Group' (Consortium of Navayuga Engg Co Ltd, CVR Holdings Pvt Ltd, Chinta Investments Pvt Ltd etc) acquired shares of Krishnapatnam Port Company Ltd in different tranches .

As of now, the CVR Navayuga Group is holding a majority shares equivalent to 63.786% while Natco Group is holding shares equivalent to 36.214%. This is in line with the Revised Concession Agreement dated 17th Day of September 2004, whereby Natco Group of Companies and their promoters, nominees and associates' had agreed to hold a minimum of 26% share holding in the company for a period of 5 Years from the date of Commercial Operation.

The Capital Structure as on 30th December 2008 is as follows:

Authorized Capital	Rs. Crores
8,92,50,000 equity shares of Rs. 10 each	89.25
7,50,000 10% compulsory convertible preference shares of Rs. 10/- each	0.75
Issued & Paid up Capital	
7,95,00,000 equity shares of Rs. 10 each	79.50
7,50,000 10% compulsory convertible preference shares of Rs. 10/- each	0.75



Changes in Capital Structure:

Authorized capital of KPCL:

1. As on 15/03/1996, the company incorporated with an authorized capital of Rs.5,00,00,000/- divided into 50,00,000/- equity shares of Rs.10/- each
2. As on 20/07/2005, the authorized capital of the company increased from Rs.5,00,00,000/- divided into 50,00,000 equity shares of Rs.10/- each to Rs.30,00,00,000/- divided into 3,00,00,000 equity shares of Rs.10/- each by adding Rs.25,00,00,000/- divided into 2,50,00,000 equity shares of Rs.10/- each
3. As on 04/04/2006, the authorized capital of the company increased from Rs.30,00,00,000/- divided into 3,00,00,000 equity shares of Rs.10/- each to Rs.40,00,00,000/- divided into 4,00,00,000 equity shares of Rs.10/- each by adding Rs.10,00,00,000/- divided into 1,00,00,000 of Rs.10/- each
4. As on 27/04/2006, the authorized capital of the company increased from Rs.40,00,00,000/- divided into 4,00,00,000 equity shares of Rs.10/- each to Rs.41,50,00,000/- divided into 4,15,00,000 equity shares of Rs.10/- each by adding Rs.1,50,00,000/- divided into 15,00,000 of Rs.10/- each
5. As on 25/01/2007, the authorized capital of the company increased from Rs.41,50,00,000/- divided into 4,15,00,000 equity shares of Rs.10/- each to Rs.75,00,00,000/- divided into 7,50,00,000 equity shares of Rs.10/- each by adding Rs.33,50,00,000/- divided into 3,35,00,000 of Rs.10/- each
6. As on 06/12/2007, the authorized capital of the company re classified as Rs..75,00,00,000/- divided into 7,42,50,000 equity shares of Rs.10/- each and 7,50,000 preference shares of Rs.10/-
7. As on 31/12/2007, the authorized capital of the company increased from Rs..75,00,00,000/- divided into 7,42,50,000 equity shares of Rs.10/- each and 7,50,000 preference shares of Rs.10/- to Rs.85,00,00,000/- divided into 8,42,50,000 equity shares of Rs.10/- each and 7,50,000 preference shares of Rs.10/- by adding Rs.10,00,00,000/- divided into 1,00,00,000 Equity shares of Rs.10/- each
8. As on 21/05/2008, the authorized capital of the company increased from Rs.85,00,00,000/- divided into 8,42,50,000 equity shares of Rs.10/- each and



7,50,000 preference shares of Rs.10/-each to Rs.90,00,00,000/- divided into 8,92,50,000 equity shares of Rs.10/- each and 7,50,000 preference shares of Rs.10/- by adding Rs.5,00,00,000/- divided into 50,00,000 Equity shares of Rs.10/- each

Issued, subscribed, paid-up capital of KPCL:

1. As on 15/03/1996, the company incorporated with an paidup capital of Rs.800 paid-up capital divided in to 80 equity shares of Rs.10/- each

2. As on 12/12/2002 the company made allotment of 50090 equity shares of Rs.10/- each, hence the total paid up capital is Rs.501700/- divided into 50170 equity shares of Rs.10/- each

3. As on 29/04/2004 the company made allotment of 1601934 equity shares of Rs.10/- each, hence the total paid up capital is Rs.16520840/- divided into 1652084 equity shares of Rs.10/- each

4. As on 23/07/2005 the company made allotment of 2,00,00,000 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.216521040/- divided into 21652104 equity shares of Rs.10/- each

5. As on 02/11/2005 the company made allotment of 58,47,896 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.275000000/- divided into 27500000 equity shares of Rs.10/- each

6. As on 28/01/2006 the company made allotment of 25,00,000 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.300000000/- divided into 30000000 equity shares of Rs.10/- each

7. As on 07/04/2006 the company made allotment of 1,00,00,000 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.400000000/- divided into 40000000 equity shares of Rs.10/- each

8. As on 27/04/2006 the company made allotment of 15,00,000 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.415000000/- divided into 41500000 equity shares of Rs.10/- each

9. As on 04/04/2007 the company made allotment of 32750000 equity shares of Rs.10/- each, hence the total paid up capital is Rs.742500000/- divided into 742500000/- equity shares of Rs.10/- each



10. As on 11/12/2007 the company made allotment of 750000 preference shares of Rs.10/- each ,hence the total paid up capital is Rs.750000000/- divided into 74250000 equity shares of Rs.10/- each and 750000 preference shares of Rs.10/-each

11. As on 31/12/2007 the company made allotment of 1275000 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.762750000/- divided into 75525000 equity shares of Rs.10/- each and 750000 preference shares of Rs.10/-each

12. As on 25/01/2008 the company made allotment of 3975000 equity shares of Rs.10/- each ,hence the total paid up capital is Rs.802500000/- divided into 7,95,00,000 equity shares of Rs.10/- each and 750000 preference shares of Rs.10/-each

Changes in Borrowings Structure:

1. As on 20/09/2006, the company had increased the borrowing powers to Rs. 1000 Crores.

2. As on 31/12/2007, the company had increased the borrowing powers from Rs. 1000 crores to Rs. 4000 Crores.

Details of Borrowings:

Phase-I development, which is now operational, is designed to achieve a throughput of 14.5 MTPA by the 6th year of operation comprising 9 MTPA of iron ore exports, up to 4 MTPA of thermal & coking coal imports and general cargo traffic of up to 1.5 MTPA. The company had achieved the financial closure for the phase I development on 16th October 2006. The total project cost was Rs. 791 Crores. The Promoter's contribution was Rs. 198 Crores while the total borrowings were Rs. 593 Crores.

Subsequently, there was an addition of one berth in Phase I for handling Coal imports. The company had achieved the financial closure for the phase IA development on 11th February 2008. The total project cost was Rs. 393 Crores. The Promoter's contribution was Rs. 98.50 Crores while the total borrowings were Rs. 294.50 Crores.

In addition to these loans, the company had taken loan for an amount of Rs. 13 Crores from Punjab and Sindh Bank for the procurement of tippers to



be used in port operations. The company had also taken a loan of Rs. 50 Crores from Axis Bank for the land development activities at the port.

v. Details of debt securities issued and sought to be listed including face value, nature of debt securities mode of issue i.e public issue or private placement.

The Company proposes to issue 2500 No. of Non convertible Debentures at a face value of Rs. 10,00,000 per debenture through private placement, aggregating to Rs 250 crores.

Issue Size	Rs. 250 crores (through Private Placement)
Instrument	Secured Redeemable Non-Convertible Debentures.
Credit Rating	LBBB + (SO) by ICRA Ratings
Face Value/Issue Price	Rs.10,00,000/- per Debenture
Tenor	5 years
Redemption	The Debentures shall be redeemed as under: 1. Tranche A equal to 16% of amount invested: - End of 3rd year from the date of disbursement. 2. Tranche B equal to 16% of amount invested: - End of 4th year from the date of disbursement. 3. Tranche C equal to 68% of amount invested: - End of 5th year from the date of disbursement
Interest Payment	Last date of every Calender Quarter
Interest on Subscription Money	NA
Put & Call option	Put Option: The Investor shall have the put option on the outstanding tranches of the NCDs on the Guarantor at the end of 4th or 5th year from the date of closing. The investor shall have the right to accelerate



	<p>the put option in the event of default.</p> <p>Call Option:</p> <p>The company shall have a right to prepay the NCD without being liable to pay any pre payment premium at the end of 3rd and 4th year from the closing date.</p> <p>Prepayment on any other dates shall attract a prepayment premium of 2% of the amount specified.</p>
Listing	At the "WDM" segment of BSE.

vi. Issue size

2500 No. of Non convertible Debentures with a nominal value of Rs. 10,00,000 per debenture through private placement, aggregating to Rs 250 crores.

vii. Details of utilization of the issue proceeds

The proceeds of the issue will be utilized to meet the funding requirements for developing of port and port related activities.

viii.A statement containing particulars of the dates of, and parties to all material contracts, agreements involving financial obligations of the issuer

1. The Company had signed Concession Agreement on 17-09-2004 with Government of Andhra Pradesh to build, operate, share and transfer a deep water sea port at Krishnapatnam, Nellore District.
2. The Company has signed EPC Agreement on 03-10-2005 with Navayuga Engineering Company Limited to construct 4 berths along with cargo handling equipments capable of handling iron ore, coal and general cargo at Krishnapatnam Port.
3. A Shareholders' Agreement was signed on 13-10-2006 between Rail Vikas Nigam Limited (RVNL), KPCL, GoAP and National Minerals Development Corporation (NMDC) in the Special Purpose Company called Krishnapatnam Rail Company Limited (KRCL), meant for



construction of rail project connecting Krishnapatnam port to Hastavaram / Obulavaripalle. RVNL and KPCL are holding 30% each of the equity while GoAP is holding 13% of the equity towards the cost of the land required for the said Rail project.

4. The Company has signed EPC Agreement on 21-03-2008 with Navayuga Engineering Company Limited to construct 7 berths along with cargo handling equipments capable of handling coal, general cargo and containerized cargo at Krishnapatnam Port.
5. The company had formed one SPV Company "Krishnapatnam Water Company Ltd." With APIIC as co-promoter, for construction of 100 MLD Desalination plant for supply of drinkingpotable water to the port and the adjoining hinterland.

ix. Details of other borrowings including any other issue of debt securities in past

(a) Details of Loan Taken and Assets of the Company charged as securities as on 30th December 2008

Lender	Original Amount (Rs. Crs.)	Amt Outstanding as on 30.12.08 (Rs. Crs.)	Int Rate	Effective Interest Rate (%)	Repayment	
					Terms	Period
<u>Rupee Term Loan</u>						
Canara Bank	164.50	159.37	12%	12%	44 unequal quarterly installments starting from 30-09-2009	from 2009 to 2018
Central Bank of India	137.00	132.74	12%	12%		
IIFCL	100.00	97.20	12%	12%		
Union Bank of India	75.00	72.90	12%	12%		
State Bank of Hyderabad	81.00	78.38	12%	12%		
Vijaya Bank	81.00	78.38	12%	12%		
Oriental Bank of Commerce	62.00	59.56	12%	12%		
UCO Bank	62.00	59.56	12%	12%		
Bank of India	23.25	23.25	12%	12%		
Indian Bank	65.06	64.07	12%	12%		
Total	850.81	825.43				



Lender	Original Amount (Million USD)	Amt Outstanding as on 30.12.08 (Million USD)	Int Rate	Effective Interest Rate (%)	Repayment	
					Terms	Period
Foreign Currency Loan						
Bank of India	6.673	6.673	6 M Libor + 275 bps	8.25%	44 unequal quarterly installments starting from 30-09-2009	from 2009 to 2018
Indian Bank	2.480	2.480	6 M Libor + 275 bps	6.60%		
Total	9.153	9.153				

Common Security:

First Rank Pari Passu Charge over all immovable properties, cash flows, book debts & receivables, all bank accounts & permitted investments, all intangibles, all rights, titles, interests, benefits, claims & demand in project documents, L/c, guarantee, performance bond & Insurance, Uncalled share capital, movable property, Goodwill, interest in immovable property, Calls made but not paid, Patent, license under a patent, Trademark, Copyright or license under a copyright

Lender	Original Amount (Rs. Crs.)	Amt Outstanding as on 30.12.08 (Rs. Crs.)	Int Rate	Effective Interest Rate (%)	Repayment		
					Terms	Period	
Other Loans							
Axis Bank	50.00	50.00	12.50%	12.50%	4 unequal yearly instalments	from 2010 to 2014	Subservient Charge over the above Project Assets
Punjab and Sind Bank	13.00	8.21	BPLR - 2.75%	10.75%	11 equal quarterly instalments	from 2008 to 2011	Hypothecation of 100 Ashok Leyland Tarus 2516 tippers
Total	63.00	58.21					

- x. Any material event/ development or change at the time of issue or subsequent to the issue which may affect the issue or the investor's decision to invest/ continue to invest in the debt securities



In the opinion of the Directors of the Company, there have been no material developments after the date of the last financial statements as disclosed in this document, which would materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets, or its ability to pay its liabilities within the next twelve months, other than what has been already set out elsewhere in this Schedule.

xi. Particulars of the debt securities issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option

Nil.

xii. A list of highest ten holders of each class or kind of securities of the issuer as on the date of application along with particulars as to number of shares or debt securities held by them and the address of each such holder

List of Share Holders as on 30th December 2008:

S. No	Name and address of the Share Holder	No. of Equity Shares	% of share holding
1	Well do Holdings & Exports Private Ltd, 28 / 30, Baroda Street, Carnac Bandar, Mumbai – 400 009	2,88,28,637	36.262
2	Chinta Investments (P) Ltd, VI-1, Dhruvatarata Ats, 6-3-652, Somajiguda, Hyderabad – 500082.	1881363	2.367
3	CVR Holdings (P) Ltd, VI-1, Dhruvatarata Ats, 6-3-652, Somajiguda, Hyderabad – 500082.	427100	0.537
4	C. Sridhar, D.No.9-29-24/9, Balaji Nagar, Siripuram, Visakhapatnam – 530 003	1836450	2.310
5	C. Sasidhar, Plot No.550/1/A, Road No.92, Phase – III, Jubilee Hills, Hyderabad – 500 034	1836450	2.310
6	C. V. Rao, Plot No.550/1/A, Road No.92, Phase-III, Jubilee Hills, Hyderabad – 500 034	397500	0.500
7	Navaneeta Agriculture Development Co Pvt Ltd, 48-9-17, Dwarakanagar, Visakhapatnam – 530 016.	1788750	2.250
8	Navaneeta Agritech Pvt Ltd, 48-9-17, Dwarakanagar, Visakhapatnam – 530 016.	1788750	2.250



9	Natco Genomik Pvt Ltd, VI-1, Dhruvatara Ats, 6-3-652, Somajiguda, Hyderabad – 500082.	2,87,90,000	36.214
10	Navaneeta Investments Private Company Limited by shares, 10, Frere Felix De Valois Street, Port Louis, Mauritius	3975000	5.000
11	Chinta Investments Private Company Limited By Shares, 10, Frere Felix De Valois Street, Port Louis, Mauritius	3975000	5.000
12	CVR Investments Private Company Limited by shares, 10, Frere Felix De Valois Street, Port Louis, Mauritius	3975000	5.000
	Total	7,95,00,000	100

S.No	Name and address of the Share Holder	No.of Preference Shares	% of share holding
1	Hitech Infra Ltd., 2 nd Floor, Suite No. 82, Medine Mews, Chaussee Street, Port Louis, Mauritius	750000	100

xiii. An undertaking that the issuer shall use a common form of transfer

The debentures would be issued in Dematerialised form. However, KPCL would use the common transfer form for physical holding if any

xiv. Redemption amount, period of maturity, yield on redemption

The Debentures shall be redeemed as under:

1. Tranche A equal to 16% of amount invested: - End of 3rd year from the date of disbursement.
2. Tranche B equal to 16% of amount invested: - End of 4th year from the date of disbursement.
3. Tranche C equal to 68% of amount invested: - End of 5th year from the date of disbursement

Period of Maturity: 5 Years from the date of allotment

Overall Return of 17% p.a. compounded monthly for the first 3 years and 19% p.a. compounded monthly thereafter on the face value of debentures



from the closing date, comprising of Coupon of 6% p.a. payable quarterly on the amount invested and Redemption premium.

xv. Information relating to the terms of offer or purchase

The Company proposes to issue 2500 No. of Non convertible Debentures at a face value of Rs. 10,00,000 per debenture through private placement, aggregating to Rs 250 crores.

Issue Size	Rs. 250 crores (through Private Placement)
Instrument	Secured Redeemable Non-Convertible Debentures.
Credit Rating	LBBB + (SO) by ICRA Ratings
Face Value/Issue Price	Rs.10,00,000/- per Debenture
Tenor	5 years
Redemption	The Debentures shall be redeemed as under: 4. Tranche A equal to 16% of amount invested: - End of 3rd year from the date of disbursement. 5. Tranche B equal to 16% of amount invested: - End of 4th year from the date of disbursement. 6. Tranche C equal to 68% of amount invested: - End of 5th year from the date of disbursement
Interest Payment	Last date of every Calender Quarter
Interest on Subscription Money	NA
Put & Call option	Put Option: The Investor shall have the put option on the outstanding tranches of the NCDs on the Guarantor at the end of 4th or 5th year from the date of closing. The investor shall have the right to accelerate the put option in the event of default.



	<p>Call Option:</p> <p>The company shall have a right to prepay the NCD without being liable to pay any pre payment premium at the end of 3rd and 4th year from the closing date.</p> <p>Prepayment on any other dates shall attract a prepayment premium of 2% of the amount specified.</p>
Listing	At the "WDM" segment of BSE.

Date of Allotment

All benefits related to the Debentures will be available to the allottees from the Date of Allotment i.e. 31-12-2008 for 1st tranche of Rs. 150 Crs and 28-01-2009 for 2nd tranche of Rs. 100 Crs.

Underwriting:

The issuer has not opted for Underwriting, hence not Applicable

Security

The Debentures are proposed to be secured by way of subservient charge in favour of the Trustees for the Debentureholders (the 'Debenture Trustee' or the 'Trustee') on all the Fixed and Movable assets of the Company and Unconditional in such form and manner and through one or more security documents as may be decided by the Company in consultation with the Trustee and irrevocable corporate guarantee by the Guarantor i.e. Navayuga Engineering Company Limited. The security has to be created within 180 days of disbursement. The company will be charged a penal interest of 2% p.a. if the above security is not created within the stipulated time.

Book Closure Date

Not Applicable



Interest

The Interest Rate on the principal amount of Debentures outstanding shall be payable in arrears, (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Bank) from the Date of Allotment. Interest will be paid quarterly from the date of allotment, being the due date of payment of interest.

Tax Deduction at Source

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. Tax exemption certificate/document, under Section 193 of the Income Tax Act, 1961, if any, must be lodged at the registered office of the Company or at such other place as may be notified by the company in writing, at least 30 calendar days before the interest payment dates.

Tax exemption certificate/document in respect of non-deduction of tax at source on interest on application money, must be submitted along with the Application Form.

Computation of interest

Interest will be computed on 'actual/ 365', on the face value of principal outstanding on the Debentures at the respective coupon rate rounded off to the nearest Rupee. In case of leap year, the interest will be computed on 'actual/ 366', on the face value of principal outstanding on the Debentures at the respective coupon rate rounded off to the nearest Rupee.

Effect of Holidays

Should any of dates defined above or elsewhere in the Umbrella Offering, excepting the Date of Allotment, fall on a Sunday or a Public Holiday in Mumbai, the interest for the period would be paid on the immediate succeeding working day in Mumbai with interest upto the day preceding the actual date of payment. The interest for the next succeeding interest period will correspondingly be adjusted.



Redemption of Debentures

The payment on redemption will be made in the name of the sole holder or first holder (in case of joint holders) whose name appears in the list of beneficial owners given by the depository on the Record Date. The Company's liability to Debenture holders towards all their rights, including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further, the Company will not be liable to pay any interest, income or compensation of any kind from the date of such redemption of the Debentures. On dispatching the amounts as specified above in respect of the Debentures, the liability of the Company shall stand extinguished.

Right of the Company to Purchase, Re-sell and Re-issue Debentures

Not Applicable, since debentures are privately placed.

Future Borrowings

The Company shall be entitled to make further issue of Debentures and/or raise Term Loan or Debentures or raise further funds from time to time from such persons /Banks/Financial Institutions or Body Corporate/or any other Agency. However, until the Debentures are fully redeemed, the Company shall not create any mortgage or charge (including the superior charge if any) on any of the aforesaid property or assets, other than in respect of the borrowing for Phase II operations without obtaining prior written approval of the Debenture holder. .

The Company shall with the approval of the Debenture holder, which approval shall not be unreasonably withheld as long as the Fixed Asset Cover and all the financial/non financial covenants are complied as per the terms of debentures and there is no event of default, be entitled to make further issue(s) of debentures, raise further loans and advances and / or avail further deferred payment guarantees or other financial facilities from time to time from such persons / banks / financial Institutions or body corporate / any other agency.

Letter/s of allotment/refund order(s) and interest in case of delay in despatch

The issuer shall credit the allotted securities to the respective beneficiary account/dispatch the letter of allotment/letter(s) of regret/refund order(s) as



the case may be registered post/courier at the applicant's sole risk within 30 days from the date of closure of the Issue. The issuer further agrees to pay interest as per the applicable provisions of the Companies Act, 1956, if the allotment letters/refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue

Right to Accept or Reject Applications

The Company is entitled at its sole and absolute discretion, to accept or reject any application or commitment, in part or in full, without assigning any reason. The Application Forms, which are not complete in all respects, are liable to be rejected. The rejected applicant(s) will be intimated within 15 days of closure of the subscription list.

Who can apply

Only those investors, who have been addressed through a communication directly, are eligible to apply. No other investor can apply. The categories of the investors eligible are:

- * Companies and bodies corporate
- * Commercial banks
- * Regional Rural banks
- * Financial Institutions
- * Investment Institutions
- * Mutual funds
- * Insurance companies

Submission of Documents

Investors should submit the following documents, wherever applicable:

- a. Memorandum and Articles of Association/ Documents governing Constitution
- b. Government Notification/Certificate of incorporation
- c. SEBI Registration Certificate, if applicable
- d. Resolution authorizing investment along with operating instructions
- e. Power of Attorney (original & certified true copy)
- f. Form 15AA granting exemption from TDS on interest
- g. Form 15H for claiming exemption from TDS on interest on application money, if any.
- h. Order u/s197 of Income Tax Act, 1961



- i. Order u/s10 of Income Tax Act, 1961
- j. Specimen signatures of authorised persons.

Governing Law

The Debentures shall be construed to be governed in accordance with Indian Law. The competent courts at Mumbai alone shall have jurisdiction in connection with any matter arising out of or under these precincts.

Over and above the aforesaid Terms and Conditions, the said Debentures shall be subject to the Terms and Conditions to be incorporated in the Debentures to be issued to the allottees and the Debenture Trust Deed / Trustee Agreement.

How to Apply

Applications for the Debentures must be made in the prescribed form, and must be completed in block letters in English. Application Forms must be accompanied by either a demand draft or cheque, drawn or made payable in favour of "Krishnapatnam Port Company Limited" and crossed Account Payee only.

Application will be accepted for a minimum of 100 Debentures and in multiples of 10 Debentures thereafter.

Cheques/demand drafts may be drawn on any bank including a co-operative bank, which is situated at and is a member or sub-member of the Banker's Clearing House located at Mumbai. Outstation / post dated cheque(s), money order (s), postal order (s), Cash and Stock Invests will not be accepted. The Company assumes no responsibility for any application(s)/cheque(s)/Demand draft(s) lost in mail.

Notices

The notices to the Debentureholder(s) required to be given by the Company or the Trustees shall be deemed to have been given if sent by registered post to the sole/first allottee or sole/first registered holder of the Debentures, as the case may be.



All notices to be given by the Debentureholder(s) shall be sent by registered post or by hand delivery to Registrars or to such persons at such address as may be notified by the Company from time to time.

All transfer related documents, tax exemption certificates, intimation for loss of Letter of Allotment/Debenture(s) etc., requests for issue of duplicate debentures etc. and/or any other notices/correspondence by the Debentureholder(s) to the Company with regard to the issue should be sent by Registered Post or by hand delivery to the Registrar, or to such persons at such persons at such address as may be notified by the Company from time to time.

Applications under Power of Attorney

Original power of attorney or the relevant authority together with its certified true copy as the case may be along with the names and specimen signatures of all the authorised signatories and the tax exemption certificate/document, if any, must be lodged at the time of submission of the completed application form. Further modifications/additions in the power of attorney or authority should be notified to the Company at its registered office.

Disclosure Clause

The Company understands that as a pre-condition, relating to subscription of Debentures, the Bank requires the consent of the company and its directors for the disclosure of any information and data relating to the company about the financial assistance availed /to be availed by the company, obligations assumed/to be assumed by the Company in relation thereto and default, if any, committed by the company in discharge thereof.

Accordingly, except in the event of default,/ as and when required by Reserve Bank of India/ SEBI/ or any other regulatory and statutory bodies, it is agreed that the Debenture Holder / Debenture Trustee shall obtain prior consent, which shall not be unreasonably withheld, for disclosure of all or any such:

- (i) Information and data relating to the company.
- (ii) The information or data relating to any financial assistance availed of/to be availed by the company and
- (iii) Default, if any, committed by the company, in discharge of such obligations as the Bank may deem appropriate and necessary to disclose and furnish to Credit Information Bureau (India) Ltd. and any other agency authorised in this behalf by RBI.



Registrars

Activities relating to R&T Agency will be carried out by **Karvy Computershare Pvt. Limited**. Requests for registration of transfer, along with Debenture Certificates/Letters of Allotment and appropriate transfer documents should be sent to the Registrars. The transferee shall also furnish name, address and specimen signatures and wherever necessary, authority for purchase of Debentures. The Registrars after examining the adequacy and correctness of the documentation shall register the transfer in its books. However, as the NCDs are compulsory issued in demat mode, this may not be applicable.

Trustees

The Company has appointed **Axis Trustee Services Limited** as Debenture Trustees registered with SEBI, for the holders of the Debentures (hereinafter referred to as 'Trustees'). The Company will enter into a Trustee Agreement/Trust Deed, inter-alia, specifying the powers, authorities and obligations of the Company and the Trustees in respect of the Debentures.

The Debentureholders shall, without any further act or deed, be deemed to have irrevocably given their consent to and authorised the Trustees or any of their Agents or authorised officials to do, inter alia, all such acts, deeds and things necessary in respect of or relating to the security to be created for securing the Debentures being offered in terms of this Memorandum of Private Placement. All rights and remedies under the Debenture Trust Deed and/or other security documents shall rest in and be exercised by the Trustees without having it referred to the Debentureholders. Any payment made by the Company to the Trustees on behalf of the Debentureholder(s) shall discharge the Company *pro tanto* to the Debentureholder(s).

Debentureholder not a Shareholder

The Debenture holders will not be entitled to any of the rights and privileges available to the Shareholders.

Modification of Rights

The rights, privileges, terms and conditions attached to the Debentures may be varied, modified or abrogated with the consent, in writing, of those holders of the Debentures who hold at least three fourth of the outstanding amount of the Debentures or with the sanction accorded pursuant to a resolution passed



at a meeting of the Debentureholders, provided that nothing in such consent or resolution shall be operative against the Company where such consent or resolution modifies or varies the terms and conditions of the Debentures, if the same are not acceptable to the Company.

Debenture Redemption Reserve

The Company will create Debenture Redemption Reserve (DRR) as may be required in case of privately placed debentures.

xvi. The discount at which such offer is made and the effective price for the investor as a result of such discount

The Debentures are being issued at par and not at discount to offer price.

xvii. The debt equity ratio prior to and after issue of the debt security:

Based on 30th December 2008 unaudited Accounts of the Company:

(a) Debt Equity Ratio prior to issue of the Debt security	3.18:1
(b) Debt Equity Ratio after issue of the Debt security	4:1

xviii. Servicing behavior on existing debt securities, payment of due interest on due dates on term loans and debt securities

Company is prompt & regular in servicing of the existing debts. Company has been paying interest & principal on due dates on term loans. No default has been committed by the Company in this regard & there are no overdues or defaults on Company's debt obligations.

xix. That the permission/ consent from the prior creditor for a second or pari passu charge being created in favour of the trustees to the proposed issue has been obtained

As per the terms of subscription agreement, the issuer has been provided 6 months time to create the security. However, the company has already intimated the existing lenders and requested them to give consent for creating subservient charge on the project assets of the company.

xx. The names of the debenture trustee(s) shall be mentioned with a statement to the effect that debenture trustee(s) has given his consent to the issuer for his appointment under regulation 4 (4) and also in all the



subsequent periodical communications sent to the holders of debt securities.

Axis Trustee Services Limited, 13th Floor, Maker Towers, F Block, Cuffe Parade, Colaba, Mumbai has been appointed to act as the Trustees for the Debenture holders (hereinafter referred to as "Trustees"). All remedies of the Debenture holder(s) for the amounts due on the Debentures will be vested with the Trustees on behalf of the Debenture holder(s).

Trustee's have accorded their consent vide their letter no ATSL/CO/08-09/DT/108 dated 9th February 2009.

The Debenture holders shall without any further act or deed be deemed to have irrevocably given their consent to and authorize the Trustees or any of their Agents or authorized officials to do inter alia acts, deeds and things necessary in respect of or relating to the creation of security in terms of this Memorandum of Private Placement.

xxi. The rating rationale(s) adopted by the rating agencies shall be disclosed

The rating rationale as released by ICRA is attached in the end of this document.

xxii. Names of all the recognized stock exchanges where securities are proposed to be listed clearly indicating the designated stock exchange and also whether in principle approval from the recognized stock exchange has been obtained

The debentures are proposed to be listed on WDM segment of BSE. The exchange has conveyed in principle listing approval vide their letter no. DCS/PREF/JA/IP-PPDI/1783/08-09 dated 31st December 2008, on submission of disclosures complying with Schedule I of SEBI guidelines.

xxiii. A summary term sheet

Issuer	Krishnapatnam Port Company Limited
Issue Size	Rs. 250 crores
Instrument	Secured Redeemable Non-Convertible Debentures
Instrument form	Only in Demat mode



Credit Rating	LBBB+ (SO) by ICRA Ratings
Face Value/Issue Price	Rs.10,00,000/- per Debenture
Issue Price	At par
Minimum Application Size	Rs. 10 crore and in multiples of Rs. 1 crore thereof.
Tenor	5 year
Redemption	The Debentures shall be redeemed as under: 1. Tranche A equal to 16% of amount invested: - End of 3rd year from the date of disbursement. 2. Tranche B equal to 16% of amount invested: - End of 4th year from the date of disbursement. 3. Tranche C equal to 68% of amount invested: - End of 5th year from the date of disbursement
Coupon Rate	6% per annum.
Interest Payment	Last date of every Calender Quarter
Interest on Application Money	NA
Put & Call option	Put Option: The Investor shall have the put option on the outstanding tranches of the NCDs on the Guarantor at the end of 4th or 5th year from the date of closing. The investor shall have the right to accelerate the put option in the event of default. Call Option: The company shall have a right to prepay the NCD without being liable to pay any pre payment premium at the end of 3rd and 4th year from the closing date. Prepayment on any other dates shall attract a prepayment premium of 2% of the amount specified.
Interest Calculation	On 'actual/ 365', on the face value of principal outstanding on the Debentures at the respective coupon rate rounded off to the nearest Rupee & on 'actual/ 366', on the face value of principal outstanding on the Debentures at the respective coupon rate



	rounded off to the nearest Rupee.
Listing	At the "WDM" segment of BSE
Depository	NSDL
Trustee	Axis Bank Limited
Opening	31 st December, 2008
Issue Closing	31 st December, 2008 (1 st Tranche) & 28 th January 2009 (2 nd Tranche)
Date of allotment	31 st December, 2008 (1 st Tranche) & 28 th January 2009 (2 nd Tranche)