

STATE DAIRY, BURDWAN

**PRELIMINARY INFORMATION MEMORANDUM
(PIM)**

June 2008

Deloitte.

Disclaimer

M/s. Deloitte & Touche Consulting India Private Limited (“DTCIPL”) has prepared this Preliminary Information Memorandum (PIM) on the basis of information provided by State Dairy, Burdwan (“Dairy”). The sole purpose of this PIM is to assist the recipients interested in being the ‘Strategic Partner’ to participate in the sale of shares of upto 74% in a wholly owned Government of West Bengal (GoWB) company into which the businesses, assets, facilities and select liabilities of the Dairy are proposed to be transferred.

This document is not intended to form the basis of any investment decision or any decision to purchase any securities or any decision to participate in the process. It does not constitute an offer or invitation or solicitation of an offer, to subscribe to or purchase any securities. While this document has been prepared in good faith, no representation or warranty, express or implied, is or will be made, and no responsibility or liability will be accepted by the Dairy, DTCIPL or the GoWB or any of their employees, advisors or agents as to or in relation to the accuracy or completeness of this document or any other oral or written information made available to any interested recipient or its advisors at any time during the external investment process and any liability thereof is hereby expressly disclaimed. Any liability is accordingly expressly disclaimed even if any loss or damage is caused by any act or omission on part of the aforesaid, whether negligent or otherwise.

Neither this document nor anything contained herein shall form a basis of any contract or commitment whatsoever. Any prospective purchaser will be required to acknowledge in the Transaction agreements that he has not relied on or been induced to enter into such agreement by any representation or warranty, save as expressly set out in such an agreement.

Accordingly, interested parties are advised to carry out their own due diligence, investigations and analysis of any information contained or referred to herein or made available at any stage in the process of inviting external investment.

DTCIPL, the Dairy and GoWB undertake no obligation to provide the recipient with any additional information or update this document and reserve the right, at any time and without notice, to change or modify the procedure or process for inviting external investment, terminate the due diligence or negotiations or any part of or the entire process for restructuring the enterprise through external investment.

This document has not been filed, registered or approved in any jurisdiction. Recipients of this document, particularly in jurisdictions outside India, should inform themselves of and observe any applicable legal requirements.

Table of Contents

1.	Submission of Expression of Interest (Eol)	4
1.1.	Introduction	4
1.2.	Underlying objective	4
1.3.	Invitation for Eols.....	4
1.4.	Qualification criteria	4
1.5.	Format and submission of Eols.....	6
1.6.	Disqualifications.....	7
1.7.	Other terms	8
1.8.	Further Process.....	8
1.9.	Enquiries	9
1.10.	Governing Laws / Jurisdiction	9
2.	Brief Profile of State Dairy, Burdwan	10
2.1	Introduction.....	10
2.2	Key Strengths.....	10
2.3	Financials	11
2.4	Proposed restructuring.....	12
	Annexure - I: Public Advertisement	13
	Annexure - II: Expression of Interest	15
	Annexure - III: Statement of Legal Capacity	17
	Annexure - IV: Request for Qualification.....	18
	Annexure - V: Statement of any Indictment	20
	Annexure - VI: Government of India's Disqualification Guidelines	21
	Annexure - VII: Guidelines for Management Employee Bids.....	23

1. Submission of Expression of Interest (Eol)

1.1. Introduction

1. The State Dairy, Burdwan ("Dairy") is a project commissioned in 1982 by Animal Resource Development (ARD) Department, Government of West Bengal (GoWB) with a mandate of supplying packaged and pasteurized milk at affordable rates to people residing in Burdwan and neighbouring areas. GoWB has funded the entire capital invested in this project.
2. The Dairy is under the administrative control of Animal Resource Development (ARD) Department, GoWB. As a part of its programme for restructuring the Dairy by attracting external investments, GoWB intends to induct a Strategic Partner by sale of equity shares of upto 74% in a GoWB owned company into which the business, assets, facilities and select liabilities of the Dairy are proposed to be transferred ("Company").
3. The transfer of business, assets, facilities and select liabilities of the Dairy in a wholly owned GoWB company shall be implemented only if the GoWB can successfully conclude the process of identification of a Strategic Partner.
4. Deloitte & Touche Consulting India Private Limited ("DTCIPL") has been appointed as advisors to GoWB through the Department of Public Enterprises, GoWB for inviting Expressions of Interest (Eol) for the proposed external investment and matters relating thereto.

1.2. Underlying objective

1. In consonance with its thrust on industrial development in the State, GoWB's primary objective behind the proposed joint venture transformation is to ensure maximum utilization of the Dairy's industrial assets for sustained value creation as part of an industrial undertaking.

1.3. Invitation for Eols

1. An advertisement has been issued in the newspapers inviting interested parties to submit their 'Expression of Interest' to participate in the external investment process, a copy of which is enclosed as Annexure I.
2. Eols may be submitted by interested parties, either individually or as a consortium, for holding upto 74% of the equity in the Company. In case of consortium bids, a lead bidder would need to be identified.

1.4. Qualification criteria

1. Indian companies / partnerships firms/ companies incorporated outside India (Foreign Companies) (subject to such Foreign Companies obtaining all statutory approvals from Government of India (GoI), including but not limited to Foreign Investment Promotions Board (FIPB), Reserve Bank of India (RBI) etc. as may be applicable by themselves) must seek to achieve the underlying objective of GoWB as explained in Clause 1.2 above and meet the following criteria (based on audited results):
 - (a) At least 3 years of manufacturing experience / experience in the services sector OR at least 2 years of experience in dairy or food processing sector.
 - (b) For entities incorporated anytime during the last 2 years, their Promoters / Promoter group must satisfy the criteria outlined in (a) above

(c) Net Worth of at least Rs. 40 million as on March 31, 2007

2. In case of a consortium (incorporated or unincorporated) bid, at least one of the members of the consortium should meet criteria (a) or (b) and the combined Net Worth of the constituent entities of the consortium should meet the above mentioned eligibility criteria no. (c), as applicable. Also, the leader of the consortium should meet at least 50% of the above mentioned Net Worth criteria. Further, in the case of a consortium bid, the Net Worth under (c) and experience as under (a) or (b) of only those members of the consortium shall be considered who propose to take at least 10 % of the equity stake in the company promoted / to be promoted by the consortium members for acquiring stake in a wholly owned GoWB company into which the business, assets, facilities and select liabilities of the Dairy are proposed to be transferred.
3. Bids by management / employees of the Dairy, directly and independently or in consortium or Joint Venture or a Special Purpose Vehicle (SPV), along with a bank, venture capitalist or a financial institution, will be considered if the legal entity so formed is qualified as per the criteria laid down in the PIM and the guidelines issued by Ministry of Disinvestment as per Annexure VII.
4. Where the financial statement is expressed in a currency other than Indian Rupee, the eligible amount as described above shall be computed by taking the equivalent US Dollars at the exchange rates (as stipulated by Foreign Exchange Dealers Association of India) prevailing on the date(s) of such financial statement.
5. Definitions
 - Net Worth = Equity share capital + Free Reserves and Surplus (excluding revaluation reserves) – Deferred Revenue / Miscellaneous Expenditure not written off – Debit Balance in Profit and Loss Account – Cross holding of investments amongst consortium members in case of a consortium.
 - “Promoter” refers to the person or persons who are in over-all control of the bidding entity / entities.
 - “Promoter Group” shall include:

In case of the promoter being a company:

- A subsidiary or holding company of that company;
- Any company in which the promoter holds 10 % or more of the equity capital or which holds 10 % or more of the equity capital of the promoter;
- Any company in which a group of individuals or companies or combinations thereof who holds 20 % or more of the equity capital in that company also holds 20% or more of the equity capital of the promoter company

In case of the promoter being an individual:

- The spouse of that person, or any parent, brother, sister or child of that person or of his spouse;
 - Any company in which 10 % or more of the share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family (HUF) in which the promoter or any one or more of his immediate relative is a member;
 - Any company in which the company specified above, holds 10 % or more, of the share capital;
 - Any HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10 % of the total.
- “Person” means any natural person, corporation, company, partnership (general or limited), limited liability company, trust or other entity or association.

1.5. Format and submission of Eols

1. The interested parties should submit the Expression of Interest (“Eol”), which shall comprise the Expression Letter (Annexure II), Statement of Legal Capacity (the “SLC” in Annexure III), Request for Qualification (the “RFQ” in Annexure IV) and Statement as regards any indictment by Income tax, Sales tax, Customs, Excise or any regulatory authorities including but not limited to Reserve Bank of India (RBI) and Securities Exchange Board of India (SEBI) (“Statement” in Annexure V). The Expression Letter, SLC, RFQ and Statement should be duly signed by the interested party/designated lead bidder of the consortium. However, the SLC, RFQ and Statement will have to be submitted by each member of the consortium duly signed by an authorized official of the member. The RFQ should be duly filled in and accompanied by the following details:
 - In case of a sole bidder
 - The Audited Balance Sheet and Profit & Loss Account of the sole bidder (Indian company, partnership firm or Foreign Company) for the last 3 financial years i.e. financial years 2004-05, 2005-06 and 2006-07¹.
 - A Chartered Accountant/Auditors’ Certificates certifying the Net Worth of the bidder as on March 31, 2007¹ and March 31,2008
 - Profile of the sole bidder
 - Any other information considered material
 - Statement as regards any indictment by any income tax, sales tax, customs and excise authorities or any other regulatory authorities including but not limited to RBI and SEBI. (Kindly refer format in Annexure V).
 - In case of a consortium bid
 - Name of the lead bidder and other members in the consortium and stake proposed to be acquired by each of them
 - The Audited Balance Sheet and the Profit & Loss Account of the lead bidder and other member companies associated in the bid for the last 3 financial years i.e. financial years 2004-05, 2005-06 and 2006-07¹.
 - Chartered Accountant/Auditors’ Certificates certifying the Net Worth of the lead bidder and individual member companies associated in the bid as on March 31, 2007¹ and March 31,2008
 - Profile of the lead bidder and other consortium members
 - Any other information considered material
 - Statement as regards any indictment by any income tax, sales tax, customs and excise authorities or any other regulatory authorities including but not limited to RBI and SEBI. (Kindly refer format in Annexure V to be submitted by individual consortium members)
2. Any change by way of withdrawal/ substitution of any member of the consortium or any change affecting the composition of the consortium may be permitted by GoWB in its sole discretion up to the stage of submission of the bid. GoWB has the sole discretion to determine the impact of the change in membership on the structure and quality of the consortium and reject a proposal without assigning any reason whatsoever.
3. The Eol Package must be in English and should be submitted in duplicate with each copy bound in a separate volume. **Submission of the aforesaid documents by fax, e-mail or any other electronic means will not be acceptable.** The Eol duly completed along with the

¹ In the event the financial year ending is December, then please provide audited accounts for year ended December 31, 2004, 2005 and 2006. Net Worth certificate in that event should be provided for December 31, 2006 and December 31, 2007

details should be submitted not later than **17:00 Hours (IST) on July 25, 2008** in a sealed envelope superscribed "Private and Confidential – Expression of Interest for State Dairy, Burdwan" at the following address, marked to the attention of the under-mentioned person:

Mr. Anindya Mallick
Senior Manager
Deloitte & Touche Consulting India Private Ltd.
Bengal Intelligent Park
Building Alpha, 1st Floor
Plot No. A 2, M 2 and N 2
Block EP and GP, Sector V
Salt Lake Electronic Complex
Kolkata – 700091
Tel: +91 33 6612 1000 Fax: +91 33 6612 1001

4. It is the responsibility of the interested party(ies) alone to ensure that its Eol Package with required documents is delivered at the above mentioned address by the stated time and date. On submission of the Eol package, the bidder(s) will be provided with a receipt marked "Contents Not Verified." The Dairy/GoWB/DTCIPL shall not be responsible for non receipt of any correspondence.

1.6. Disqualifications

1. GoWB shall not consider for the purpose of qualification, an Eol that in its considered opinion does not seek to achieve the underlying objective stated at Clause 1.2 above.
2. GoWB/ DTCIPL shall not consider for the purpose of qualification, an Eol that has been found to be incomplete in content or attachments or authenticity.
3. Without prejudice, a company/ consortium may be disqualified and its Eol dropped from further consideration for any of the reasons listed below:
 - Material misrepresentation by such company/ member of consortium in the Eol, RFQ, SLC and/or Statement.
 - Failure by such company/ consortium to provide the information required to be provided in the Eol, RFQ, SLC and Statement.
 - Submission of Eol, RFQ, SLC and Statement in respect of any company/ consortium, where such company or member had already submitted an Eol or is a member of a consortium, which has already submitted an Eol, and
 - The companies/ consortia not satisfying the eligibility and requisite qualification criteria specified in the above sections and hence not being eligible
4. If any information becomes known after the interested party has been qualified to receive the Confidential Information Memorandum which would have entitled GoWB/ the Dairy to reject or disqualify the relevant company/consortium, GoWB/ the Dairy reserves the right to reject the interested party at the time or at any time after such information becomes known to GoWB or the Dairy.
5. Further, Gol has issued guidelines for disqualification of bidders seeking to acquire any public sector enterprises through the process of disinvestment vide Department of Disinvestment OM No.6/4/2001-DD-II dated 13th July 2001, a copy of which is enclosed as Annexure-VI. Entities interested in participating in the proposed process of inviting external investment should not have been convicted by a Court of Law or indicted/ have any adverse order passed against them by any court of law, or any other regulatory authority in any matter involving a grave offence and / or which casts a doubt on their ability to manage the Dairy. Further, such persons or corporate entities and/ or their sister concern(s) should not have any

charge sheet against them by any agency of Govt or any court of law, which involves a matter concerning the security and integrity of India. The final decision in this regard will be taken by GoWB.

6. The interested party(ies) are required to read the guidelines and satisfy themselves that they are qualified to bid for the stake in the Dairy through the process of invitation of external investments and give an undertaking to the effect that they are qualified to bid for the stake in the Dairy in the EoI to be submitted by them. Further, interested parties would be required to provide the information on the criteria, laid down in the guidelines of 13th July, 2001 along with their EoI. The bidders shall be required to provide with their EoI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its Chief Executive Officer (CEO) or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also relating to matters concerning the security and integrity of India, a similar undertaking shall be provided along with EoI.
7. Where the interested party is a consortium, GoWB may disqualify the entire consortium for any of the reasons specified above, even if it applied to only one member of the consortium.
8. The companies/ consortia not satisfying the eligibility and requisite qualification criteria specified in the above sections are not eligible.

1.7. Other terms

1. This document constitutes no form of commitment on the part of the GoWB or DTCIPL other than to provide further information on the Dairy. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed process of inviting external investment.
2. GoWB reserves the right to withdraw from the process or any part thereof, to accept or reject any /all offer(s) at any stage of the process and/or modify the process or any part thereof or to vary any terms without assigning any reasons. No financial obligations will accrue to GoWB or DTCIPL in such an event. Neither GoWB nor DTCIPL shall be responsible for non-receipt of correspondence sent by post / email / courier /fax.
3. The bidder shall bear all costs associated with the preparation and submission of the EoI. GoWB, DTCIPL or the Dairy shall not, under any circumstances, be responsible or liable for any such costs, whether direct, incidental or consequential.

1.8. Further Process

1. The EoI submitted by interested parties shall be evaluated on the basis of GoWB's underlying objective for the joint venture transformation as detailed in Section 1.2 together with the criteria specified elsewhere in this document. GoWB reserves the right to reject, without assigning any reason whatsoever, any EoI which, in its sole judgment, does not meet the underlying objective detailed in Section 1.2.
2. If at any time during the evaluation process, GoWB/ DTCIPL require any clarification, they reserve the right to request such information from any or all of the companies/ consortia and the companies/ consortia will be obliged to provide the same within a reasonable timeframe.

3. Based on an evaluation of EoIs received, interested parties, which are deemed fit (“qualified interested parties” or “QIP”), will be qualified to participate in the subsequent selection process (without conferring any right or expectation whatsoever to the QIP). All QIPs will be required to execute a Confidentiality Undertaking. Only on execution of the Confidentiality Undertaking, QIP will be provided with the Confidential Information Memorandum (CIM) and shall be invited to participate further in the process described in detail in the CIM. QIPs will get an opportunity to conduct a due diligence and take up site visits and will also have access to data rooms and hold discussions with the management of the Dairy /officials of Department of Public Enterprises, GoWB/ ARD, GoWB. The rules regarding access to information in the data rooms will be provided to QIPs later. QIPs will be invited to submit proposal detailing their technical, financial and commercial capabilities and a binding price bid.
4. GoWB reserves the right in its sole discretion to modify/ change the process of divesting its shareholding during the course of the joint venture transformation process.

1.9. Enquiries

1. GoWB/ DTCIPL reserve the right not to respond to questions raised or provide clarifications sought, in their sole discretion, if it is considered that it would be inappropriate to do so. Nothing in this document shall be taken or read as compelling or requiring GoWB/ DTCIPL to respond to any question or to provide any clarification. No extension of any time and date referred to in this PIM shall be granted on the basis or grounds that GoWB/ DTCIPL has not responded to any question/ provided any clarification.

1.10. Governing Laws / Jurisdiction

1. The laws of Union of India shall govern all matters relating to the joint venture formation process and the bidding procedure. Only the courts at Kolkata (with exclusion of all other courts) shall have the jurisdiction to decide or adjudicate on any matter, which may arise out of or in connection with the joint venture participation process and the bidding procedure.

2. Brief Profile of State Dairy, Burdwan

2.1 Introduction

1. The State Dairy, Burdwan ("Dairy") is a project which was commissioned in 1982 by Animal Resource Development (ARD) Department, GoWB with a mandate of supplying packaged and pasteurized milk at affordable price to people residing in Bardhaman and neighbouring areas. This project has been funded by GoWB.
2. The administrative office and the dairy production unit is located at Bardhaman at the address indicated below:

Administrative office & works:

State Dairy, Bardhaman
P.O. Fagupur
District: - Bardhaman

3. The Dairy has an installed processing capacity of 20,000 kg per day. Operations at the plant were discontinued in FY 05 due to operational problems. The Dairy's capacity utilization level was 36% in FY 04.
4. The key products for the Dairy include two milk variants Doubled Toned Milk (DTM) and TM (Toned Milk) and value added product in form of Ghee. In FY 04, the dairy recorded sales of Rs. 1.8 crores and the revenue shares from DTM, TM and Ghee were 89%, 6% and 5% respectively.
5. The primary customers of the Dairy were retail customers residing in Burdwan, Durgapur, Pandua, Memari, Magra & Bandel areas. In addition to retail customers the Dairy used to supply milk to institutions like hospitals, jails, etc. in these areas.
6. Some of the key assets & facilities of the production unit at Burdwan include
 - Total land area of 11.02 acres comprising 6.22 acres factory area and 4.80 acres of residential area. Out of total area of 11.02 acres, 4.70 acres is vacant land which can be used for further expansion
 - Built-up factory area measuring over 65000 sq. ft.
 - Key Plant & machinery include pasteurizers, homogenizers, HCl tanks, clarifier, cream separator, pouch filling machines, etc.

2.2 Key Strengths

1. Burdwan city is a major trading hub and the district head-quarter of Bardhaman district. The Dairy has an advantage of being situated in a prime location in Burdwan city. The Dairy is at a distance of only 4.5 km from the Burdwan Railway Station. It is strategically located at an offset of Grand Trunk Road and is also very close to Kolkata-Delhi National Highway (NH-2). NH-2 connects the Dairy with other prominent urban towns in the region like Durgapur (around 60 kms, travel time 45 to 60 minutes), Memari, Pandua Magra Bandel ,all located within 60 kms and at a travel time of 45-60 minutes. Kolkata is around 95 kms away from the Dairy (travel time 1.5 hours).
2. The combined population of the urban centers surrounding the dairy is more than 10 lakh with nearly 3 lakh people residing in Burdwan city (Source: Census 2001). The milk market of the area is estimated to be around 1.5 lakh litres per day. In addition to demand for milk, the

area has a substantial market for value added products market like paneer, lassi, flavored milk, ghee, butter and ice-cream.

3. State Dairy, Burdwan is situated over a freehold land measuring 11.02 acres of which around 4.7 acres of land is unutilized. Such unutilized land provides the Dairy a scope for future capacity expansion in milk and allied products. Currently, the Dairy has over 65,000 sq ft of covered facilities including Dairy plant, storage go-downs, garage, laboratory and administrative buildings, etc.
4. The Dairy has an advantage of being located in one of the leading milk producing districts of West Bengal. Statistics published by Directorate of Animal Resources and Animal Health, Govt. of West Bengal ranks Bardhaman as third largest milk producing district at 480,000 MT in FY 06. The neighboring district of Hugli is ranked 4th in milk production with 410,000 MT production in FY 06. Given that these two districts are producing milk in large quantities, the Dairy will have the opportunity to source milk from milk agents operating in the hinterland.

2.3 Financials

1. The highlights of the Balance Sheet and Profit and Loss Account of the company for the last five years are given below:

Balance Sheet (Rs. In lakhs)

Particulars	2005(A)	2004(A)	2003(A)	2002(A)	2001(A)
Sources of Funds					
Capital provided by GoWB	243.37	243.36	242.13	242.13	241.62
Current Capital	3,233.77	3,077.14	2,775.98	2,608.33	2502.73
Total Funds Deployed	3,477.14	3,320.50	3,018.11	2,850.46	2,744.35
Total Sources of Funds	3,477.14	3,320.50	3,018.11	2,850.46	2,744.35
Application of Funds					
Net Fixed Assets	58.60	63.12	66.80	71.28	76.84
Current Assets	760.91	781.29	720.36	789.59	845.32
Less Current Liabilities	776.25	753.74	661.75	745.48	660.19
<i>Net Current Assets</i>	<i>(15.34)</i>	<i>27.55</i>	<i>58.61</i>	<i>44.11</i>	<i>185.13</i>
Debit balance of P&L account	3433.88	3,229.83	2,892.70	2,735.07	2482.38
Total Application of Funds	3,477.14	3,320.50	3,018.11	2,850.46	2,744.35

Profit and Loss Account (Rs. In lakhs)

Particulars	2005(A)	2004(A)	2003(A)	2002(A)	2001(A)
Revenues	157.53	182.52	399.30	459.73	514.99
Cost of Sales	378.99	499.86	542.55	686.48	835.90
Raw Material consumed	154.61	301.54	329.74	487.29	596.02
Employee Cost	187.91	155.49	159.39	146.38	167.15
Power & Fuel	14.64	21.15	20.28	21.82	18.90
Other operating expenses	20.12	19.73	24.03	28.50	47.38
Administrative expenses	1.71	1.95	9.11	2.49	6.45
Operating Profit/ (Loss)	(221.46)	(317.34)	(143.25)	(226.75)	(320.91)
Other Income	33.25	3.78	4.50	1.45	2.21
Interest	11.42	18.67	13.47	21.31	31.01
Depreciation	4.42	4.90	5.41	6.08	6.38
Net Profit/ (Loss)	(204.05)	(337.13)	(157.63)	(252.69)	(356.09)

Source: State Dairy, Burdwan, Audited Annual Reports

2. GoWB had over the years made capital investment of Rs 243.37 lakhs as on 31st March, 2005
3. GoWB has also infused Rs. 3233.77 lakhs over the years in the form of current capital to fund Dairy's losses and working capital requirements.
4. The Dairy does not have any outstanding loans
5. Debtors included receivables of Rs. 684.9 on account of Inter-dairy transactions and which accounted for over 90% of the current asset.
6. Out of current liabilities of Rs. 7.77 crores as on March 31, 2005, Rs. 7.06 crores was due to various state dairies on account of inter-dairy transactions.
7. As per its audited financial statement, the Dairy did not have any contingent liabilities as on FY05.
8. Revenue from operations declined from Rs. 514.99 lakhs in FY01 to Rs. 157.53 lakhs in FY05 due to market competition with entry of several private/joint sector players.

2.4 Proposed restructuring

1. GoWB is open to considering requisite extent of manpower restructuring and waiver of outstanding financial liabilities due to itself as may be necessary for ensuring the dairy's sustainable viability while transferring the business and assets/liabilities of the Dairy into the Company.

Annexure - I: Public Advertisement



**GOVERNMENT OF WEST BENGAL
DEPARTMENT OF PUBLIC ENTERPRISES
JOINT VENTURE TRANSFORMATION THROUGH INDUCTION OF
STRATEGIC PARTNERS
EXPRESSION OF INTEREST**

(This announcement is neither a prospectus nor an offer/invitation to the public for sale of shares, securities or debentures)

Continuing with its efforts to restructure its loss making Public Sector enterprises, the Government of West Bengal (GoWB) intends to induct strategic partners through transfer of equity stake upto 74% with management control in a GoWB owned company into which the business, assets, facilities and select liabilities of the Dairy are proposed to be transferred.

GoWB's primary objective in this exercise is to ensure the maximum utilization of the industrial assets and workforce of these enterprises, for sustained value creation as an industrial undertaking. The said equity stake is being offered through sale of existing shares and / or issue of fresh shares.

GoWB has appointed Deloitte & Touche Consulting India Private Ltd. (DTCIPL) as its Advisor to advise and manage the process of inviting Expressions of Interest (EoI) from potential strategic partners.

As part of the proposed restructuring exercise for the enterprise through this joint venture transformation, GoWB is open to considering the requisite extent of manpower restructuring and waiver of outstanding financial liabilities as may be necessary for ensuring their sustainable viability while transferring the business and assets/liabilities of the Dairy into the Company.

Highlights of State Dairy, Burdwan are as follows:

Products	Plant Location	Net Sales (Rs. Mn)	Net Loss (Rs. Mn)	Interest Expense (Rs. Mn)
Milk and Value Added Products	Fagupur, Bardhaman	15.75	20.4	1.14

Source: Provisional Financial Statement for FY05

EoI may be submitted by Indian Companies, Partnership firms/ Companies incorporated outside India (Foreign Companies) (subject to such Foreign Companies obtaining all statutory approvals from Government of India (GoI) /Foreign Investment Promotions Board (FIPB) /Reserve Bank of India (RBI), etc. as may be applicable by themselves), either individually or as a consortium (incorporated or unincorporated), for holding upto 74% equity of the enterprise.

Interested Parties are requested to submit their EoI in duplicate and in the prescribed format specified in the Preliminary Information Memorandum (PIM) at the under-mentioned address, not later than **17.00 hrs (IST) on July 25, 2008**

The Preliminary Information Memorandum (PIM) containing further information about the individual enterprises, eligibility criteria, formats of EoI, Request for Qualification (RFQ), Statement of Legal Capacity (SLC), etc. can be obtained from the under mentioned person or accessed at www.peir.in. All queries related to the EoI may be addressed to the under-mentioned person.

Mr. Anindya Mallick Senior Manager Deloitte & Touche Consulting India Pvt. Limited Bengal Intelligent Park Building Alpha, 1st Floor Block: EP & GP, Sector – V Salt Lake Electronics Complex Kolkata – 700 091. Tel: +91 33 6612 1000 Fax: +91 33 6612 1001

Only the parties that are found eligible as per the criteria laid down in the PIM in the sole discretion of GoWB will be informed of the same and provided further information.

This advertisement does not constitute and will not be deemed to constitute, any commitment on the part of GoWB. Furthermore, this advertisement confers neither any right nor expectation on any party to participate in the process for inviting private investments.

GoWB reserves the right to withdraw from the process or any part thereof, to accept or reject any or all offers at any stage of the process and/or modify the process or any part thereof or to vary terms at any time without assigning any reason whatsoever. No financial obligation will accrue to GoWB or DTCIPL in such an event. Further, GoWB or DTCIPL or the State Dairy, Burdwan shall not be responsible for non-receipt of any correspondence sent by post/courier/e-mail/fax.

Annexure - II: Expression of Interest

(To be forwarded on the letterhead of the interested party / lead bidder / member of the consortium submitting the Eol)

Reference No. _____

Date _____

Mr. Anindya Mallick
Senior Manager
Deloitte & Touche Consulting India Private Ltd.
Bengal Intelligent Park
Building Alpha; 1st Floor
Plot No. A 2, M 2 and N 2
Block EP and GP, Sector V
Salt Lake Electronic Complex
Kolkata – 700091

Sub: EXPRESSION OF INTEREST FOR INDUCTION OF STRATEGIC PARTNER WITH UPTO 74% EQUITY STAKE IN THE GOWB OWNED COMPANY INTO WHICH THE BUSINESS, ASSETS, FACILITIES AND SELECT LIABILITIES OF STATE DAIRY, BURDWAN ARE PROPOSED TO BE TRANSFERRED (“COMPANY”).

Sir,

This is with reference to the advertisement dated2008 inviting Expressions of Interest (EOIs) for **State Dairy, Burdwan**. As specified in the advertisement, we have read and understood the contents of the Preliminary Information Memorandum (PIM) and are desirous of participating in the above process for invitation of external investment, and for this purpose:

We propose to submit our Eol in individual capacity as _____ (insert company name)

OR

We have formed/propose to form a consortium comprising _____ members as follows:

1. _____ (Insert company name)
2. _____ (Insert company name)
3. _____ (Insert company name)

(Please add lines as required)

We believe that we/our consortium/proposed consortium satisfies the eligibility criteria set out in relevant sections of the PIM including the guidelines for qualification of bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment issued by the Government of India, vide Department of Disinvestment OM No.6/4/2001-DD-II dated 13th July 2001 and clarification issued on 10th January, 2002.

We certify that we have not been convicted by a Court of law or indicted or adverse orders passed by a regulatory authority which would cast a doubt on our ability to manage the company when it is divested or which relates to a grave offence that outrages the moral sense of the community.

We also certify that in regard to matters relating to security and integrity of the country, we have not been charge-sheeted by any agency of the Government or convicted by a Court of Law for any offence committed by us or by any of our sister concerns

We further certify that no investigation by a regulatory authority is pending either against us or against our sister concerns or against our CEO or any of our Directors/Managers/ employees.

We further agree that we will not be allowed to remain associated or get associated with the joint venture transformation process merely because we have preferred an appeal against such orders as set out in the preceding paragraphs based on which we may be disqualified.

We undertake that in case due to any change in facts or circumstances during the pendency of the process for invitation of external investment, we are attracted by the provisions of disqualification in terms of the PIM, we would intimate the GoWB of the same immediately.

The Statement of Legal Capacity, Request for Qualification and the Statement for any indictment as per formats indicated hereinafter, duly signed by us/respective members, who jointly satisfy the eligibility criteria, are enclosed.

We shall be glad to receive further communication on the subject.

Yours faithfully,

Authorized Signatory
For and on behalf of the party/consortium

Enclosure:

1. Statement of Legal Capacity
2. Request for Qualification
3. Statement for any indictment

Annexure - III: Statement of Legal Capacity

(To be forwarded on the letterhead of the interested party / each member of the consortium submitting the Eol)

Reference No. _____

Date _____

Mr. Anindya Mallick
Senior Manager
Deloitte & Touche Consulting India Private Ltd.
Bengal Intelligent Park
Building Alpha; 1st Floor
Plot No. A 2, M 2 and N 2
Block EP and GP, Sector V
Salt Lake Electronic Complex
Kolkata – 700091

Sub: EXPRESSION OF INTEREST FOR INDUCTION OF STRATEGIC PARTNER WITH UPTO 74% EQUITY STAKE IN THE GOWB OWNED COMPANY INTO WHICH THE BUSINESS, ASSETS, FACILITIES AND SELECT LIABILITIES OF STATE DAIRY, BURDWAN ARE PROPOSED TO BE TRANSFERRED (“COMPANY”)

Sir,

This is with reference to the advertisement dated2008 inviting Expressions of Interest (Eols) for the “Company”.

We have read and understood the contents of the PIM and the advertisement and pursuant to this hereby confirm that:

We satisfy the eligibility criteria laid out in the PIM.

We are a member of the consortium (constitution of which has been described in the Expression of Interest) which jointly satisfies the eligibility criteria as detailed in the PIM.*

We have agreed that _____(insert member’s name) will act as the lead member of our consortium.*

We have agreed that _____ (insert individual’s name) will act as our representative on our behalf and has been duly authorized (vide Board Resolution dated _____**) to submit the Eol. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.*

We have agreed that _____(insert the name of the individual) has been chosen as representative of our consortium and on our behalf and has been duly authorized (vide Board Resolution dated _____**) to submit the Eol.

Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.*

Yours faithfully,

Authorised Signatory
For and on behalf of (party/member)

*Strike off whichever clause is not applicable

** Please attach a certified true copy of the extract of the relevant Board Resolution

Annexure - IV: Request for Qualification

(To be submitted in respect of interested party/each member of the consortium on their respective letterhead)

Name of the interested Party (ies) / Member(s) _____

1. Constitution (Tick, wherever applicable)
 - Public Limited Company
 - Private Limited Company
 - Others, if any (Please specify)
 - If the interested party is a foreign company, specify list of statutory approvals from GoI/ RBI/ FIPB applied for/ obtained/ awaiting.
2. Sector (Tick, wherever applicable)
 - Public Sector
 - Joint Sector
 - Private Sector
 - Others, If any (Please specify)
3. Details of Shareholding:
4. Role/ Interest of each Member in the Consortium (if applicable):
5. Nature of business/products dealt with:
6. Date & Place of incorporation:
7. Date of commencement of business :
8. Full address including phone no. /fax no.:
 - Registered Office:

 - Head Office:
9. Address for correspondence:
10. Basis of eligibility for participation in the process (Please mention details of your eligibility) as under (whichever is applicable):
 - a) Percentage stake proposed to be acquired (maximum stake allowed 74%)
 - b) Reason for wanting to acquire a strategic stake in **the GoWB owned company into which the business, assets, facilities and select liabilities of State Dairy, Burdwan are proposed to be transferred** and how this meets the GoWB objective for joint venture transformation as outlined in Section 1.2
 - c) Brief description of manufacturing operations in any sector / operations in the services sector engaged in by the interested party / its promoters / promoter group
(Please furnish necessary details of self/ member of consortium with manufacturing experience / experience in the services sector of 3 years or more)

11. Please attach most recent Audited Statement of Accounts/Annual Report along with that of past 2 years and a chartered accountant/auditors certificate certifying the Net Worth as on 31st March 2007 and 31st March 2008.
12. Please provide details of all contingent liabilities that, if materialized, have or would reasonably be expected to have a material adverse effect on the business, operations (or results of operations), assets, liabilities and/or financial condition of the Company, or other similar business combination or transaction.
13. Contact Person(s):
 - i. Name:
 - ii. Designation:
 - iii. Phone No.:
 - iv. Mobile No.:
 - v. Fax No.:
 - vi. Email:

Yours faithfully,

Authorized Signatory
For and on behalf of the (party/member)

Authorized Signatory
For and on behalf of the consortium

Place:
Date:

Place:
Date:

Note: Please follow the order adopted in the Format provided. If the interested party is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words "No response given" against it.

Annexure - V: Statement of any Indictment

(by any Income Tax, Sales Tax, Customs and Excise Authorities and other Regulatory Authorities)

(To be forwarded on the letterhead of the interested party/lead bidder/member of the consortium submitting the EoI)

Date:

Mr. Anindya Mallick
Senior Manager
Deloitte & Touche Consulting India Pvt. Limited
Bengal Intelligent Park, Building Alpha, 1st Floor
Block: EP & GP, Sector – V, Salt Lake Electronics Complex
Kolkata – 700 091

We certify that there has been no conviction by a court of law or indictment or adverse order or investigation or charge sheet by an agency of the Government, any income tax, sales tax, customs, excise authorities and other regulatory authorities including but not limited to Reserve Bank of India (RBI) and Securities Exchange Board of India (SEBI) against us or our Promoter Group, {except as stated below:}¹

Yours faithfully,

Authorized Signatory
For and on behalf of (party/member)

Name:
Designation:

¹ *Delete, if not applicable.*

Annexure - VI: Government of India's Disqualification Guidelines

No. 6/4/2001-DD-II
Government of India
Ministry of Disinvestment

Block 14, CGO Complex
New Delhi
Dated 13th July, 2001

OFFICE MEMORANDUM

Subject: Guidelines for qualification of Bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment

Government has examined the issue of framing comprehensive and transparent guidelines defining the criteria for bidders interested in PSE-disinvestment so that the parties selected through competitive bidding could inspire public confidence. Earlier, criteria like Net Worth, experience etc. used to be prescribed. Based on experience and in consultation with concerned departments, Government has decided to prescribe the following additional criteria for the qualification / disqualification of the parties seeking to acquire stakes in public sector enterprises through disinvestment:-

(a) In regard to matters other than the security and integrity of the country, any conviction by a Court of Law or indictment / adverse order by a regulatory authority that casts a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, or which relates to a grave offence would constitute disqualification. Grave offence is defined to be of such a nature that it outrages the moral sense of the community. The decision in regard to the nature of the offence would be taken on case to case basis after considering the facts of the case and relevant legal principles, by the Government.

(b) In regard to matters relating to the security and integrity of the country, any charge-sheet by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party would result in disqualification. The decision in regard to the relationship between the sister concerns would be taken, based on the relevant facts and after examining whether the two concerns are substantially controlled by the same person/persons.

(c) In both (a) and (b), disqualification shall continue for a period that Government deems appropriate.

(d) Any entity, which is disqualified from participating in the disinvestment process, would not be allowed to remain associated with it or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.

(e) The disqualification criteria would come into effect immediately and would apply to all bidders for various disinvestment transactions, which have not been completed as yet.

(f) Before disqualifying a concern, a Show Cause Notice why it should not be disqualified would be issued to it and it would be given an opportunity to explain its position.

(g) Henceforth, these criteria will be prescribed in the advertisements seeking Expression of Interest (EOI) from the interested parties. The interested parties would be required to provide the information on the above criteria, along with their Expressions of Interest (EOI). The bidders shall be required to provide with their EOI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the

concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also, a similar undertaking shall be obtained along with EOI.

-sd/-

(A.K. Tewari)

Under Secretary to the Government of India.

CLARIFICATION

Note: Vide clarification dated: 10.1.2002 to the above guidelines it has been provided that the following offence be treated as a grave offence

(1) Orders of Securities and Exchange Board of India which directly relates to “fraud” as defined in the Securities and Exchange Board of India Act, 1992 and/or regulations made thereunder;

(2) Orders of Securities and Exchange Board of India which cast a doubt on the ability of the Strategic Partner to manage the Company after the sale of the Transaction Shares by the Government to the Strategic Partner;

(3) Any conviction by a Court of Law;

(4) In cases in which Securities and Exchange Board of India also passes a prosecution order, disqualification of the Strategic Partner should arise only on conviction by the Court of Law.

Annexure - VII: Guidelines for Management Employee Bids

No. 4/38/2002-DD-II
Government of India
Ministry of Disinvestment

Block 14, CGO Complex
New Delhi
Dated 25th April, 2003

OFFICE MEMORANDUM

Subject: - Guidelines for management-employee bids in strategic sale.

1. Employee participation and protection of employee interests is a key concern of the disinvestment process. The practice of reserving a portion of the equity to be disinvested for allocation to employees, at concessional prices, has been adopted in a number of cases. It is necessary and expedient to evolve and lay down guidelines to encourage and facilitate management-employee participation in the strategic sales and thus to acquire controlling stakes and manage disinvested public sector undertakings. The undersigned is directed to state that Government has, therefore, decided to lay down the following guidelines for evaluating employee/management bids:-
 - (i) The term 'employee' will include all permanent employees of a PSU and the whole time directors on the board of the PSU. A bid submitted by employees or a body of employees will be called an "employee bid".
 - (ii) At least 15% of the total number of the employees in a PSU or 200 employees, whichever is lower, should participate in the bid.
 - (iii) An employee bid would be exempted from any minimum turn over criterion but will be required to qualify in terms of the prescribed Net Worth criterion. They will be required to follow the procedures prescribed for participation by Interested Parties in the process of strategic sale including, but not limited to, filing the expression of interest along with all details, as applicable to other investors, furnishing of bank guarantee for payment of the purchase price etc.
 - (iv) Employees can either bid directly and independently or, for the purpose of meeting the financial criteria like Net Worth, can form a consortium or bid through a joint venture (JV) or a special purpose vehicle (SPV), alongwith a bank, venture capitalist or a financial institution. However employees will not be permitted to form consortia with other companies.
 - (v) If the bidding entity of the employees is a consortium, JV or SPV, employees must have a controlling stake and be in control of the bidding entity.
 - (vi) If the bid is submitted through a consortium, JV or SPV, employees must contribute at least 10% of the financial bid.
 - (vii) If the employees form a consortium, the consortium partners would be prohibited from submitting individual bids independently.
 - (viii) If it is not the highest bid, the employee bid shall be considered only if the said bid is within 10% of the highest bid.
 - (ix) The employee bid shall, subject to fulfilling the conditions above, have the first option for acquiring the shares under offer provided they match the highest bid and the highest bid being equal to or more than the reserve price.

- (x) If the employee bid is not the highest bid and there are more than one employee bids within the 10% band, the highest of the employee bids will have precedence for purchase at the highest bid. If such employee bidder is unwilling or unable to match the highest bid, the option will pass on to the next highest employee bid and so on till all the employee bids, within the 10% band, are exhausted.
 - (xi) In the event of no employee bidder, within the 10% band, being willing or able to match the highest bid, the shares under offer will be sold to the highest bidding entity.
 - (xii) There will be a lock in period of three years for the shares disinvested by the Government.
2. All the bidders for the management-employee buy-outs will also have to satisfy the provisions of the 'Guidelines for qualification of bidders seeking to acquire stakes in Public sector Enterprise through the process of disinvestment' issued vide the then Department of Disinvestment's Office Memorandum No.6/4/2001-DD-II dated 13th July 2001 or as amended subsequently along with other qualification criterion as generally applicable and not specifically excluded herein.

-sd-
(T.S. Krishnamachari)
Deputy Secretary to the Government of India