



RED HERRING PROSPECTUS  
Please read Section 60B of the Companies Act, 1956  
Dated February 27, 2010  
100% Book Building Issue

## PRADIP OVERSEAS LIMITED

(Originally formed as a partnership firm in the name and style of M/s. Vishal Textiles vide partnership deed dated April 13, 2005. The name of the firm was changed from M/s. Vishal Textiles to M/s. Chetan Textiles vide supplementary deed of partnership dated June 15, 2005. Subsequently the partnership firm was converted into a company on June 29, 2005 under part IX of the Companies Act, 1956 as "Chetan Textiles Private Limited" with CIN U17100GJ2005PTC046345. Our Company was converted into a public limited company vide fresh certificate of incorporation dated August 09, 2006. The name of our Company was subsequently changed to "Pradip Overseas Limited" vide fresh certificate of incorporation dated October 01, 2007. Our Company has been allocated CIN U17100GJ2005PLC046345. For details of changes to our Registered Office, please refer chapter titled "History and Other Corporate Matters" beginning on page 118 of the Red Herring Prospectus.)

**Registered and Corporate Office:** A/601, Namarayan Complex, Near Swastik Cross Roads, Navrangpura, Ahmedabad - 380 009, Gujarat, India. **Telephone:** +91-79-2643 1594 / 2656 0630  
**Facsimile:** +91-79-2642 0408 **Contact Person:** Mr. Kaushik Kapadia, Company Secretary and Compliance Officer, **Email:** investor@pradipoverseas.com; **Website:** www.pradipoverseas.com  
**THE PROMOTERS OF OUR COMPANY ARE MR. PRADIPKUMAR KARIA, MR. CHETAN KARIA AND MR. VISHAL KARIA**

**PUBLIC ISSUE OF 1,06,00,000 EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [•] PER EQUITY SHARE FOR CASH AGGREGATING RS. [•] (THE "ISSUE"), BY PRADIP OVERSEAS LIMITED (THE "COMPANY" OR THE "ISSUER"). THE ISSUE COMPRISES 5,00,000 EQUITY SHARES OF RS. 10 EACH RESERVED FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES AND A NET ISSUE TO THE PUBLIC OF 1,01,00,000 EQUITY SHARES OF RS. 10 EACH. THE ISSUE WILL CONSTITUTE 26.26% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY. THE NET ISSUE TO PUBLIC WILL CONSTITUTE 25.02% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**PRICE BAND: RS. [•]/- TO RS. [•]/- PER EQUITY SHARE OF FACE VALUE RS 10/- EACH  
THE PRICE BAND AND THE MINIMUM BID LOT SIZE WILL BE DECIDED BY US IN CONSULTATION WITH THE BRLM AND  
ADVERTISED ATLEAST TWO WORKING DAYS PRIOR TO BID/ISSUE OPENING DATE**

**THE ISSUE PRICE IS [•] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [•] TIMES AT THE HIGHER END OF THE PRICE BAND**

In case of revision in the Price Band, the Bid Period shall be extended for three (3) additional working days after such revision, subject to the Bid Period not exceeding ten (10) working days. Any revision in the Price Band, and the revised Bid Period, if applicable, shall be widely disseminated by notification to the Self Certified Syndicate Banks, BSE and NSE by issuing a press release and also by indicating the change on the websites of the Book Running Lead Manager ("BRLM") and the terminals of the members of the Syndicate. This Issue is being made through a 100% Book Building Process, wherein, subject to valid Bids being received at or above the Issue Price in each of the below categories: (i) upto 50% (subject to mandatory allotment of minimum 10% of the Net Issue size to QIBs) of the Net Issue to the Public shall be available for allocation on a proportionate basis to QIBs (of which 5% will be available for allocation on a proportionate basis to Mutual Funds only, and Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance portion available for the QIBs); (ii) atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders; (iii) atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders; (iv) up to 5,00,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees; This Issue is being made in terms of sub-clause (ii) of clause (a) and sub-clause (i) of clause (b) of sub-regulation (2) of Regulation 26, of the SEBI (ICDR) Regulations, 2009 wherein the "Project" has atleast 15% participation by financial institutions / scheduled commercial banks, of which atleast 10% comes from the appraiser(s). In addition to this, atleast 10% of the Net Issue shall be Allotted to QIBs, failing which the full subscription monies shall be refunded.

### RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. The face value of the Equity Shares is Rs.10/- and the Issue Price is [•] times of the face value at the lower end of the Price Band and [•] times of the face value at the higher end of the Price Band. The Issue Price (as determined by our Company, in consultation with the Book Running Lead Manager on basis of assessment of market demand for our Equity Shares by way of the Book Building Process as stated in chapter titled "Basis for Issue Price" beginning on page 71 of the Red Herring Prospectus) should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares offered in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section titled "Risk Factors" beginning on page 12 of the Red Herring Prospectus.

### COMPANY'S ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable inquiries, accepts responsibility for and confirms that the Red Herring Prospectus contains all information with regard to our Company and this Issue, which is material in the context of this Issue, that the information contained in the Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes the Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the BSE and NSE. We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated April 29, 2009 and June 08, 2009, respectively. For purposes of this Issue, BSE is the Designated Stock Exchange.

### IPO GRADING

ICRA Limited has assigned IPO Grade 2, indicating below average fundamentals, to the proposed IPO of Pradip Overseas Limited. For details, see the chapter titled "General Information" on page 36 of the Red Herring Prospectus.

#### BOOK RUNNING LEAD MANAGER

**ANANDRATHI**

#### Anand Rathi Advisors Limited

11<sup>th</sup> Floor, Times Tower, Kamala City Senapati Bapat Marg,  
Lower Parel, Mumbai - 400 013.

**Tel:** +91 22 4047 7000;

**Fax:** +91 22 4047 7070

**Email:** pol.ipo@rathi.com

**Website:** www.rathi.com

**Contact Person:** Mr. V. Prashant Rao / Mr. Gaurav Lohiya

**SEBI Registration No:** INM000010478

#### REGISTRAR TO THE ISSUE

**LINK INTIME**  
INDIA PVT LTD



#### Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound, LBS Marg,  
Bhandup (W), Mumbai - 400 078

**Tel:** +91-22-2596 0320; **Fax:** +91-22-2596 0328-29

**Toll Free:** 1800-22-0320

**E-mail:** pradip.ipo@intimespectrum.com;

**Website:** www.intimespectrum.com

**Contact Person:** Mr. Sachin Achar

**SEBI Registration No:** INR000003761

### ISSUE PROGRAMME

**BID / ISSUE OPENS ON : MARCH 11, 2010**

**BID / ISSUE CLOSES ON : MARCH 15, 2010**

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## SECTION –I

### DEFINITIONS AND ABBREVIATIONS

In the Red Herring Prospectus, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this Section.

Term	Description
“Pradip Overseas”, “erstwhile Chetan Textiles Limited, “our Company”, “the Company”, “the Issuer Company”, “the Issuer” “we”, “us” and “our”	Unless the context otherwise requires, refers to Pradip Overseas Limited, a public limited company incorporated under the Companies Act.
erstwhile Pradip Overseas Limited	Pradip Enterprises Limited- an Entity Promoted by our Promoters.
Promoter(s) / Promoter Directors	Unless the context otherwise requires, refers to Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia.
Entities promoter by our Promoters	Unless the context otherwise requires, refers to companies / other ventures promoted by our Promoter(s) that is, Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia as enumerated in the chapter titled “ <i>Entities Promoted by our Promoters</i> ” beginning on page 176 the Red Herring Prospectus.

#### GENERAL /CONVENTIONAL TERMS

Term	Description
Articles / Articles of Association	The Articles of Association of our Company.
Auditors	The statutory auditors of our Company, being M/s. Ashok Dhariwal & Co., Chartered Accountants.
Board of Directors / Board	The Board of Directors of our Company or a Committee thereof duly constituted.
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of our Company unless otherwise specified.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed thereunder.
Financial Year / Fiscal Year / FY	The period of twelve months ended March 31 of that particular year, unless specifically otherwise stated.
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act / IT Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time.
Memorandum / Memorandum of Association	The Memorandum of Association of our Company.
Non Resident	A “person resident outside India”, as defined under FEMA including FIIs.
NRI / Non-Resident Indian	A “person resident outside India”, as defined under FEMA and who is a citizen of India or is a person of Indian origin as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
Registered Office	The registered office of our Company located at A/601, Narnarayan Complex, Near Swastik Cross Roads, Navrangpura, Ahmedabad – 380 009, Gujarat, India.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Regulations/ SEBI (ICDR) Regulations, 2009/ SEBI ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, including circulars, instructions, guidelines and clarifications issued by SEBI from time to time.
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.



<b>Term</b>	<b>Description</b>
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
Special Economic Zone	Special Economic Zone under the Special Economic Zones Act, 2005 means each Special Economic Zone notified under the proviso to sub-section (4) of Section 3 and sub-section (1) of Section 4 (including Free Trade and Warehousing Zone) and includes an existing Special Economic Zone.
U.S. GAAP	Generally accepted accounting principles in the United States of America.

#### **ISSUE RELATED TERMS**

<b>Term</b>	<b>Description</b>
Allotted / Allotment	Allotment of Equity Shares, pursuant to this Issue.
Allocation	Allocation of Equity Shares pursuant to this Issue.
Allottee	The successful Bidder to whom Equity Shares are being / have been allotted.
Applications Supported by Blocked Amount (ASBA)	Applications Supported by Blocked Amount (whether physical or electronic) used by a Bidder (other than a QIB) to make a Bid authorising the SCSB to block the Bid amount in their specified bank account maintained with the SCSB.
ASBA Account	Account maintained by an ASBA Bidder with a SCSB which shall be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder, as specified in the ASBA Bid cum Application Form
ASBA Bid-cum-Application Form / ASBA Form	The Bid cum Application Form for ASBA Investors in terms of which the ASBA Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for Allotment in terms of the Red Herring Prospectus and Prospectus.
ASBA Investor/ ASBA Bidder	An Investor who intends to apply through ASBA process in the Issue and is not a QIB; is applying through blocking of funds in a bank account with the SCSB.
ASBA Public Issue Account	A bank account of our Company under Section 73 of the Act, being the same as the Public Issue Account, where the funds shall be transferred by the SCSBs from the ASBA Account
Basis of Allotment / Basis of Allocation	The basis on which the Equity Shares will be allotted / allocated.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto. For the purposes of ASBA Bidders, it means an indication to make an offer during the Bidding Period by any Bidder (other than QIBs) pursuant to the submission of an ASBA Bid cum Application Form to subscribe to the Equity Shares.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue In case of ASBA Bidders the highest value of the optional Bids indicated in the ASBA Bid Cum Application Form.
Bid / Issue Closing Date	The date after which the members of the Syndicate / SCSBs will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper with wide circulation.
Bid / Issue Opening Date	The date on which the members of the Syndicate / SCSBs shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper with wide circulation.
Bid cum Application Form / Bid-cum- Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for Allotment in terms of the Red Herring Prospectus. Unless the context otherwise requires in the Red Herring Prospectus, Bid-cum-Application Form includes ASBA Form.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form or ASBA Form.
Bidding Period or Bidding/ Issue Period or Issue/ Bidding Period.	The period between the Bid / Issue Opening Date and the Bid / Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Book Building Process	Book building mechanism / route as provided under Part A of Schedule XI of the SEBI (ICDR) Regulations, 2009, in terms of which this Issue is made.



<b>Term</b>	<b>Description</b>
Book Running Lead Manager	Anand Rathi Advisors Limited.
CAN / Confirmation of Allocation Note	The note or advice or intimation of Allocation of Equity Shares sent to the Bidders who have been Allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Controlling Branches	Such branches of the SCSBs which coordinate Bids under this Issue by the ASBA Bidders with the Registrar to the Issue and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a> .
Cut-off/ Cut-off Price	Any price within the Price Band finalised by our Company in consultation with the BRLM. A Bid submitted at the Cut-off Price by a Retail Individual Bidder or an ASBA Investor or an Eligible Employee under the Employee Reservation Portion who has Bid for Equity Shares for an amount less than or equal to Rs. 100,000 and is a valid Bid at all price levels within the Price Band.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form from the ASBA Bidders and a list of which is available on <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a> .
Designated Date	The date on which funds are transferred from the Escrow Accounts and from bank accounts of ASBA investors to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	BSE
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated December 12, 2008 which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue, which is filed with SEBI and Stock Exchanges. It will become a Red Herring Prospectus issued in accordance with the provisions of Section 60B of the Companies Act after filing with the RoC at least three days before the opening of this Issue. It will become a Prospectus after filing with the RoC after the Pricing Date.
Eligible Employees	For the purposes of the Employees Reservation Portion, Eligible Employees means permanent employees and Directors, of our Company as on the Bid / Issue Opening Date who are Indian Nationals, based in India and are physically present in India on the date of submission of the Bid Cum Application Form. In addition, such person should be an employee on the pay roll of our Company / Director of our Company as on date of filing the Red Herring Prospectus with the RoC. Promoters and their relatives (as per section 6 of the Companies Act) are not eligible to be treated as Eligible Employees.
Eligible NRIs	NRIs from such jurisdiction outside India where it is not unlawful for our Company to make this Issue or an invitation under this Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein.
Employee Reservation Portion	The portion of the Issue being a maximum of upto 5,00,000 Equity Shares available for Allocation to the Eligible Employees of our Company on a proportionate basis.
Equity Shares	Equity Shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account(s)	Account(s) opened with Escrow Collection Bank(s) and in whose favour the Bidder (except ASBA Investor) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among our Company, the Registrar to the Issue, the Escrow Collection Bank(s), the Refund Bank (s) and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders (except ASBA Investor).
Escrow Collection Bank(s) / Banker (s) to the Issue	The banks which are clearing members and registered with SEBI as banker to an issue under SEBI (Bankers to an Issue) Regulations, 1994 at which the Escrow Account for this Issue will be opened, in this case being HDFC Bank Limited, Axis Bank Limited, Standard Chartered Bank, ICICI Bank Limited
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form or ASBA Form or ASBA revision form.



<b>Term</b>	<b>Description</b>
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
IPO Grading Agency	ICRA Limited, the grading agency appointed by our Company for grading the Issue
Issue	Public issue of 1,06,00,000 Equity Shares of fully paid up at the Issue Price aggregating Rs. [●] lacs in terms of the Red Herring Prospectus.
Issue Price	The final price at which Equity Shares will be issued and Allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.
Margin Amount	The amount paid by the Bidder (except ASBA Investor) at the time of submission of the Bid, which may be between 10% or 100% of the Bid Amount, as applicable.
Mutual Funds	Mutual Funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Funds Portion	That portion of the Net Issue, being 5% of the QIB Portion or 2,52,500 Equity Shares available for Allocation on a proportionate basis to Mutual Funds only.
Net Issue / Net Issue to the Public	The Issue other than the Employee Reservation Portion, in this being 1,01,00,000 Equity Shares aggregating Rs. [●] lacs.
Non - Institutional Bidders	All Bidders (including sub - accounts which are foreign corporates or foreign individuals) that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000.
Non - Institutional Portion	Consists of 15,15,000 Equity Shares aggregating Rs. [●] lacs, being at least 15% of the Net Issue, available for Allocation to Non- Institutional Bidders on a proportionate basis, subject to receipt of valid Bids at or above the Issue Price.
Non Resident Indian / NRI	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, such term as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended.
Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 03, 2003 and immediately before such date had taken benefits under the general permission granted to Overseas Corporate Bodies under the FEMA. Overseas Corporate Bodies are not permitted to invest in this Issue.
Pay-in Date	Except with respect to ASBA Bidders, Bid / Issue Closing Date or the last date specified in the CAN sent to Bidders receiving Allocation who pay less than 100% Margin Amount at the time of bidding, as applicable.
Pay-in-Period	Means: (i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) With respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Payment through electronic transfer of funds	Payment through ECS / NECS, Direct Credit, RTGS or NEFT, as applicable
Price Band	The price band of a minimum price (“Floor Price”) of Rs. [●] and the maximum price (“Cap Price”) of Rs. [●] and includes revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalises the Issue Price.
Prospectus	The prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account and accounts of ASBA Investors for this Issue on the Designated Date.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	Consists of 50,50,000 Equity Shares of Rs. 10/- each aggregating Rs. [●] lacs being upto 50%



<b>Term</b>	<b>Description</b>
	of the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs), available for Allocation to QIBs on a proportionate basis, subject to valid bids being received at or above the Issue Price. 5% of the QIB Portion i.e. 2,52,500 Equity Shares shall be available for Allocation on a proportionate basis to Mutual Funds only.
Qualified Institutional Buyers / QIBs	A mutual fund, venture capital fund and foreign venture capital investor registered with SEBI; a foreign institutional investor and sub-account (other than a sub-account which is foreign corporate or foreign individual), registered with SEBI; a public financial institution as defined in Section 4A of the Companies Act, 1956; a scheduled commercial bank; a multilateral and bilateral development financial institution; a state industrial development corporation; an insurance company registered with the Insurance Regulatory and Development Authority (IRDA); provident funds with minimum corpus of Rs. 2500 lacs; and pension funds with minimum corpus of Rs. 2500 lacs and National Investment Fund set up by resolution no. F. No. 2/3/2005- DDII dated November 23, 2005 of the Government of India published in the Gazette of India and Insurance funds set up and managed by army, navy or air force of the Union of India, eligible to Bid in the Issue.
Red Herring Prospectus / RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Issue and will become a Prospectus after filing with the RoC after the Pricing Date.
Refund Account	The no-lien account maintained by the Refund Bank(s) to which the surplus money shall be transferred on the Designated Date and from which refunds of the whole or part of the Bid Amount (excluding the ASBA Bidders), if any, shall be made.
Refund Bank	The bank(s) which have been appointed / designated for the purpose of refunding the amount to investors either through the electronic mode as prescribed by SEBI and / or physical mode in accordance with the procedure contained in the chapter titled “Issue Procedure” beginning on page 221 the Red Herring Prospectus.
Refund Banker(s)	HDFC Bank Limited
Registrar of Companies / RoC	Registrar of Companies, Gujarat located at RoC Bhavan, Opp. Rupal Park, Near Ankur Cross Road, Naranpura, Ahmedabad – 380 013, Gujarat, India.
Registrar / Registrar to the Issue	Registrar to the Issue, in this case being Link Intime India Private Limited having its office at C-13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai - 400078, Maharashtra, India.
Resident Retail Individual Investor /Resident Retail Individual Bidder	A Retail Individual Bidder who is a “person resident in India” (as defined in Foreign Exchange Management Act, 1999)
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) and Bidders in reserved category who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000/- in the Issue.
Retail Portion	Consists of 35,35,000 Equity Shares aggregating Rs. [●] lacs, being atleast 35% of the Net Issue, available for Allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received at or above the Issue Price.
Revision Form	The form used by the Bidders to modify the number of Equity Shares or any Bid amount in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Self Certified Syndicate Banks (SCSBs)	Shall mean a Banker to an issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making an Applications Supported by Blocked Amount and recognized as such by the SEBI from time to time.
SCSB Agreement	The deemed agreement between the SCSBs, the BRLM, the Registrar to the Issue, our Company, in relation to the collection of Bids from the ASBA Bidders and payment of funds by the SCSBs to the ASBA Public Issue Account
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member (s)	Anand Rathi Advisors Limited and SMC Global Securities Limited
Transaction Registration Slip /	The slip or document issued by the Syndicate Members to the Bidders and by SCSB’s to ASBA



Term	Description
TRS	Investors as proof of registration of the Bid.
Underwriters	Anand Rathi Advisors Limited and SMC Global Securities Limited
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.

#### COMPANY / INDUSTRY RELATED TERMS

Term	Description
Appraisal Report/ Re-Appraisal Report	Appraisal Report of Dena Bank for our Project dated September 11, 2008 and Re-Appraisal report of Dena Bank for our Project dated August 18, 2009.
Bonus Issue	The Bonus Issue of Equity Shares of our Company in the ratio of 1:1, that is, one Equity Share allotted free of cost to all shareholders holding Equity Shares as on date of allotment of the Bonus Issue, that is September 1, 2008.
Bed Linen Products	A subset of Home Linen Products, comprising primarily of bedsheets, bedspreads, pillow cases, quilts, comforters, fitted sheets and cushion covers
Indirect Exports	Exports to foreign buyers through their agents in India and domestic sales which are meant for exports
Home Linen Products	Comprises primarily of Bed Linen Products, curtains and mattress covers
Narrow Width Project	Products having a width of upto 72 inches Setting up the Proposed Manufacturing Facility in the Proposed Textile SEZ
Proposed Textile SEZ	The Textile SEZ proposed to be set up and developed by our Company at NH8A, near village Bhamasra, Taluka Bavla, Dist. Ahmedabad in Gujarat
Proposed Manufacturing Facility	The new manufacturing facility proposed to be set up by our Company on land bearing survey nos. 163/17p, 156p, 106/2p, 163/26paiklee, 108paiklee, 163/12paiklee, 163/3paiklee, 163/4paiklee, 163/4 and 163/3 at village Bhamasara, Taluka Bawla, District Ahmedabad, Gujarat in the Proposed Textile SEZ for enhancing our manufacturing capacities to 169.50 million metres per annum.
PVA	Poly Vinyle Acrylic
Scheme of Demerger	Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 pursuant to which the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) was demerged from that company transferred to our Company (then known as Chetan Textiles Limited) vide order passed by the High Court of Judicature at Gujarat on August 17, 2007.
Thread Counts	The number of threads in one square inch area of a piece of cloth
Unit I/ existing Unit	The textile unit of our Company located as at Plot No. 104, 105 and 106, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zydus Cadila, Near Prakash Solvent, Changodhar, Ahmedabad 382213, Gujarat, India.
Unit I -Division-I/ existing Unit	The textile unit of our Company located as at Plot No. 104 and 105, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zydus Cadila, Near Prakash Solvent, Changodhar, Ahmedabad 382213, Gujarat, India.
Unit I-Division-II/ existing Unit	The textile unit of our Company located as at Plot No.106, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zydus Cadila, Near Prakash Solvent, Changodhar, Ahmedabad 382213, Gujarat, India.
Unit II/ Proposed Unit	Our Proposed Manufacturing Facility to be located in the Proposed Textile SEZ at NH No.8, Near Super Gas, Village Bhamasara, District. Ahmedabad
Wider Width	Products having a width of more than 72 inches and upto 126 inches
Hectare	a unit of surface area equal to 100 ares (or 10,000 square meters)

#### ABBREVIATIONS

Abbreviation	Full Form
A/c	Account
AGM	Annual General Meeting
ARAL	Anand Rathi Advisors Limited
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
ASBA	Applications Supported by Blocked Amount
AY	Assessment Year
BIFR	Board for Industrial and Financial Reconstruction





<b>Abbreviation</b>	<b>Full Form</b>
Bn	Billion
BPLR	Benchmark Prime Lending Rate
BRLM	Book Running Lead Manager
BSE	Bombay Stock Exchange Limited
CAN	Confirmation of Allocation Note
CAGR	Compounded Annual Growth Rate
CB	Controlling Branch
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CESTAT	Central Excise and Services Tax Appellate Tribunal
CIN	Corporate Identification Number
DB	Designated Branch
DGFT	Directorate General of Foreign Trade
DIN	Director's Identification Number
DP	Depository Participant
DP ID	Depository Participant's Identification Number
EGM	Extraordinary General Meeting of the shareholders
EBIDTA	Earnings before Depreciation, Interest, Tax, Amortisation and extraordinary items
ECS	Electronic Clearing System
EPS	Earnings per Equity Share
FCL	Foreign Currency Loans
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations issued thereunder
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time] registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FIs	Financial Institutions
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GEB	Gujarat Electricity Board
GIR Number	General Index Registry Number
GoI / Government	Government of India
GSM	Grams per square metres
HUF	Hindu Undivided Family
IEM	Industrial Entrepreneur Memorandum
ICAI	Institute of Chartered Accountants of India
IPO	Initial Public Offer
MAPIN	Market Participant and Investor Database
MICR	Magnetic Ink Character Recognition
MODVAT	Modified Value Added Tax
MoA	Memorandum of Association
MoU	Memorandum of Understanding
NAV	Net Asset Value
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NBFC	Non-Banking Finance Company
NR	Non-Resident



<b>Abbreviation</b>	<b>Full Form</b>
NRE Account	Non Resident (External) Account
NRI	Non-Resident Indian
NRO Account	Non Resident (Ordinary) Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body
P/E Ratio	Price / Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
RBI	The Reserve Bank of India
RHP	Red Herring Prospectus
RoNW	Return on Net Worth
RTL	Rupee Term Loan
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCSB	Self Certified Syndicate Bank
SEBI	The Securities and Exchange Board of India
SEZ	Special Economic Zone
SIA	Secretariat for Industrial Assistance
TDER	Total Debt Equity Ratio
TIN	Taxpayers Identification Number
TRS	Transaction Registration Slip
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time
UoI	Union of India
USD / \$ / US\$	The United States Dollar, the legal currency of the United States of America

Notwithstanding the foregoing:

1. In the section titled “*Main Provisions of the Articles of Association of our Company*” beginning on page 262 the Red Herring Prospectus, defined terms have the meaning given to such terms in that section;
2. In the section titled “*Financial Statements*” beginning on page 150 of the Red Herring Prospectus, defined terms have the meaning given to such terms in that section;
3. In the chapter titled “*Statement of Tax Benefits*” beginning on page 73 of the Red Herring Prospectus, defined terms have the meaning given to such terms in that chapter.



## SECTION – II

### GENERAL

#### PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

##### **Financial Data**

Unless stated otherwise, the financial information used in the Red Herring Prospectus is derived from our Company's restated financial statements as of and for the Financial Years ended March 31, 2006, 2007, 2008, 2009 and for the nine month period ended December 31, 2009 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI (ICDR) Regulations, 2009, as stated in the report of our Auditors, M/s. Ashok Dhariwal & Co., Chartered Accountants, beginning on page 150 of the Red Herring Prospectus.

Our Fiscal Year commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a Fiscal Year (e.g., Fiscal 2009), are to the Fiscal Year ended March 31 of that particular year.

In the Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI (ICDR) Regulations, 2009. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Red Herring Prospectus should accordingly be limited. Our Company has not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data.

##### **Currency of Presentation**

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. Rs. 1 lac means Rs. 100,000 and Rs. 1 Crore means Rs. 10,000,000. All references to "US\$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. For additional definitions, please refer section titled "*Definitions and Abbreviations*" beginning on page 2 of the Red Herring Prospectus.

##### **Market and Industry Data**

Unless stated otherwise, industry data used throughout the Red Herring Prospectus has been obtained from industry publications and publicly available government documents. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Similarly while information contained in the publicly available government documents that is relied upon for the purposes of the Red Herring Prospectus is believed to be complete and reliable, there can be no assurance of the same. Accordingly, no investment decisions should be made based on such information. Although we believe that industry data used in the Red Herring Prospectus is reliable, it has not been verified.



## FORWARD LOOKING STATEMENTS

We have included statements in the Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “is likely to result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industry in which we operate;
- Increased competition in this industry;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans including those for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in other countries that may adversely affect us (directly or indirectly) including our export markets, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, please refer section titled “*Risk Factors*” beginning on page 12 of the Red Herring Prospectus, and chapters titled “*Business Overview*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements*” beginning on pages 92 and 181 of the Red Herring Prospectus respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Book Running Lead Manager, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until the time of grant of listing and trading permissions by BSE and NSE.



## SECTION – III

### RISK FACTORS

*An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in the Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our business, you should read this section in conjunction with “Business Overview” beginning on page 92 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements” beginning on page 181 of the Red Herring Prospectus. Any of the following risks as well as other risks and uncertainties discussed in the Red Herring Prospectus could have a material adverse impact on our business, financial condition and results of our operation and could cause the trading price of our Equity Shares to decline which could result in the loss of all or part of your investment. These risks and uncertainties are not the only issues that we face; additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our business, results of operations and financial condition. The financial data in this chapter is as per our restated financial statements contained in this Red Herring Prospectus.*

*The Red Herring Prospectus also contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in the Red Herring Prospectus.*

*Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.*

#### **Materiality:**

*The risk factors have been determined on the basis of their materiality. The following factors have been considered for determining their materiality:*

- 1. Some events may not be material individually but may be found material collectively.*
- 2. Some events may have a material impact qualitatively instead of quantitatively.*
- 3. Some events may not be material at present but may have material impacts in the future.*

### **INTERNAL RISK FACTORS**

#### **Litigations, licenses and property:**

- 1. Our Company and Entities Promoted by our Promoters are involved in certain legal proceedings, and have paid certain penalties in the past.**

Our Company and Entities Promoted by our Promoters are involved in certain legal proceedings and claims in relation to certain civil and tax matters incidental to their business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us/them liable to liabilities/penalties and may adversely affect their business and results of operations. A classification of these legal and other proceedings instituted against our Company are given in the following table:

<b>Type of Legal Proceedings</b>	<b>Total number of pending cases</b>	<b>Financial Implications*</b>
Civil	2	821.88 lacs to the extent quantifiable
Income Tax	1	Not quantifiable
Potential Litigation	1	Not quantifiable

A classification of these legal and other proceedings instituted against/by the Entities Promoted by our Promoters are given in the following table:



## M/s Pradip Exports

Type of Legal Proceedings	Total number of pending cases	Financial Implications*
Income Tax	3	Rs. 3,40,305 to the extent quantifiable

\* The tables above do not include those penalties, interests and costs, if any, which may be imposed or which may have been pleaded but not quantified in the course of legal proceedings, or which the Court/Tribunal otherwise has the discretion to impose. The imposition and amount of such penalties/interests/costs are at the discretion of the court/tribunal where the case is pending.

Such liability, if any, would crystallize only on the order of the tribunal where the case(s) is/are pending.

a. Penalties imposed in the past five years on our Company:

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefore)
1.	Rs. 8,300	4 Penalties imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2007-2008, 2008-2009, 2009-2010 and 2010-2011 under the provisions of Gujarat VAT Act, 2003.	Paid
2.	Rs.9,850	Penalty of Rs.9,850 imposed by the Brihanmumbai Municipal Corporation towards octroi for not exporting goods within the period specified under the Exemption of Octroi (Immediate Exportation) Rules, 1965 on the goods imported for immediate exportation levied in the Assessment Year 2008-9.	Paid
3.	Rs. 1,000	Penalty of Rs. 1,000 imposed by the Service Tax Department, Gujarat for late filing of half yearly returns for the Assessment Year 2009-2010 under the provisions of Service Tax Rules, 1994.	Paid
4.	Rs. 1,800	Penalty of Rs. 1,800 imposed by Government labour Officer and Inspector under Minimum Wages Act 1948 and Gujarat Minimum Wages Rules, 1961 levied in the Financial Year 2009-10.	Paid

b. Penalties imposed in the past five years on our Director:

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefore)
1.	Rs. 1,800	Penalty of Rs. 1,800 imposed by Government labour Officer and Inspector under Minimum Wages Act 1948 and Gujarat Minimum Wages Rules, 1961 levied in the Financial Year 2009-10.	Paid

c. Penalties imposed in the past five years on Entities Promoted by our Promoters:

### (i) Pradip Enterprises Limited

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefore)
1.	Rs. 1,800	Penalty of Rs. 1,800 imposed by the Sales Tax Department, Gujarat for late	Paid



filing of monthly returns for the Assessment Year 2006-2007, under the provisions of Gujarat VAT Act, 2003.

**(ii) M/s. Pradip Exports**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefore)
1.	Rs. 3,661	3 Penalties imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2004-2005, 2005-2006 and 2006-2007 under the provisions of Gujarat Sales Tax Act, 1969.	Paid

**(iii) M/s. Anu Impex**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefore)
1.	Rs. 9,147	3 Penalties of imposed by the Employee State Insurance Corporation, for late payment of the Employee State Insurance Contribution for the Assessment Year 2003-2004, 2004-2005 and 2005-2006 under the provisions of the Employee State Insurance Act, 1948.	Paid
2.	Rs. 67,720	Penalty of Rs. 67,720 imposed for the Assessment year 1998-1999, under section 271 (1) (c) of the Income Tax Act, 1961 for concealment of income.	Paid
3.	Rs. 7,000	Penalty of Rs. 7,000 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2006-2007 under the provisions of Gujarat VAT Act, 2003.	Paid

For further details regarding the aforesaid litigations and penalties, please refer chapter titled “*Outstanding Litigations, Material Developments and Other Disclosures*” beginning on page 193 of the Red Herring Prospectus.

**2. M/s. Pradip Exports, one of the Entities Promoted by our Promoters, has incurred losses in FY 2007.**

Details of the Profit and Losses incurred by M/s. Pradip Exports in FY 2007, FY 2008, FY 2009 are as follows:

Particulars	(Rs. In Lacs) Audited		
	For the Financial Year ended March 31		
	2009	2008	2007
Profit/ (loss) After Tax	5.18	2.21	(0.10)

**3. We have applied for certain licenses/approvals, which we are yet to receive. Further we are yet to apply for certain licenses/approvals.**

There are certain licenses / approvals incidental or ancillary to our business for which we have applied for to the statutory authorities and there are certain licenses / approvals for which we are yet to apply. Further, these licenses/approvals may be granted subject to certain conditions, and we cannot assure that these conditions would be acceptable to us, or would not have an adverse effect on us. The total number of licenses/approvals which we have applied for but not received is 28. The total number of licenses/approvals for which we are yet to apply is 6. Further, as per Central Government, the minimum area of land required for establishing a SEZ is 100 hectares. As on January 31, 2010, the Company has already acquired 84.55 hectares of land and is in the process of acquiring the remaining 15.45 hectares of land in order to be eligible to apply for notification of land from the Government of India. Only after the receipt of the notification, our Company would be able to apply for certain licenses/ approvals in relation to our proposed manufacturing facility. Non receipt of notification of land, non-receipt of the



requisite approvals, or delayed receipt of the same, may delay our Project and would adversely affect our growth plans. For further details on licenses/approvals which are pending renewal/ approval and licenses/approvals for which we are yet to apply, please refer to the chapter titled “Government and Other Statutory Approvals” on page no. 199 of the Red Herring Prospectus.

**4. *Any delay or inability in renewing our existing licenses/approvals may have an adverse effect on our business.***

Being in the manufacturing business, our Company requires several statutory and regulatory licenses and approvals to operate the business. Many of these approvals are granted for fixed periods of time and need renewal from time to time. Our Company is required to renew such licenses and approvals. There can be no assurance that the relevant authorities will issue any of such licenses or approvals in time or at all. Further, these licenses and approvals are subject to several conditions, and our Company cannot assure that it shall be able to continuously meet such conditions or be able to prove compliance with such conditions to statutory authorities, and this may lead to cancellation, revocation or suspension of relevant licenses/ approvals. Failure by our Company to renew, maintain or obtain the required licenses or approvals, or cancellation, suspension or revocation of any of the licenses or approvals may result in the interruption of our Company’s operations and may have a material adverse effect on our business. For details please refer chapter titled “Government and Other Statutory Approvals” beginning on page 199 of the Red Herring Prospectus.

**5. *The premises used as our Registered and Corporate Office are not owned by us, and have been taken on lease from M/s. Pradip Exports, an Entity Promoted by our Promoters.***

Premises used for our Registered Office in Ahmedabad are being occupied by us on the basis of a short-term leave and license agreement from M/s. Pradip Exports which is an Entity Promoted by our Promoters. The current leave and license agreement for our Registered and Corporate Office is valid till August 29, 2010. The aforesaid agreement has termination clauses, and may be terminated prior to its validity period. For details regarding the terms and conditions of this agreement, please refer chapter titled “Business Overview” beginning on page 92 of the Red Herring Prospectus.

There can be no assurance that this agreement would be renewed upon expiry or termination or on terms and conditions acceptable to us. Any failure to renew this said agreement or procure new premises will increase our costs or force us to look out for alternative premises which may not be available or which may be available at a substantially higher cost outlay.

**6. *Our Company has mortgaged the property bearing block nos.104 /105A /105B, admeasuring about 34,037 sq. mts. in Chachadwadi, Taluka Sanand, District Ahmedabad which is under dispute, for availing certain financial facilities from various lenders.***

Our Company is availing a working capital facility of Rs. 50,000 Lacs and a term loan facility of Rs. 3,559 Lacs under a consortium with banks. Further in order to avail these facilities our Company has created charge under the provisions of the Companies Act, 1956 over the property bearing block nos.104 /105A /105B, admeasuring about 34,037 sq. mts. in Chachadwadi, Taluka Sanand, District Ahmedabad. A Civil Suit No.265/2003 and a Special Judicial Civil Suit No.220/2003 has been filed by Essbee Fabrics Private Limited against Co-op. Bank of Ahmedabad (now known as Cosmos Co-operative Bank Limited) and our Company before the Civil Judge (C.D.) of Ahmedabad (Rural) at Ahmedabad with respect to the property as mentioned above. Any unfavourable decision by the court may result in adverse action against our Company, its Promoters or Directors and / or may render our Company or our Promoters liable to pay such amounts as may be decided by the courts, and / or may adversely affect their business and results of operations. For further details regarding the aforesaid litigations, please refer chapter titled “Outstanding Litigations, Material Developments and Other Disclosures” beginning on page 193 of the Red Herring Prospectus.

**Business related**

**7. *The cost of grey cloth comprises approximately 80% of our total sales value. We do not have any long-term agreement or contract for supply of the same. We also do not have any long-term agreements or contracts for any other inputs in our manufacturing process and consequently are exposed to price and supply fluctuations for our raw materials.***

We are wholly dependent on external suppliers for our raw materials requirements. Grey cloth comprises of approximately 80% of our total sales value, and we do not have any long-term supply agreements or commitments in relation to the same or for any other raw materials used in our manufacturing process. Consequently, we are exposed to price and supply fluctuations in grey cloth and other raw materials, and these fluctuations may adversely affect our ability to obtain orders and/or to execute





them in a timely manner, which would have a material adverse effect on our business, results of operations and financial condition.

**8. *Delay in delivery of contracted grey cloth or other raw materials by our suppliers may in turn adversely affect the delivery of final product to our buyers.***

Typically, business in our industry is subject to specific delivery schedule requirements with liquidated damages chargeable in the event the schedules are not adhered to. Failure to adhere to contractually agreed timelines due to delay in delivery of contracted grey cloth or other raw materials could adversely affect our reputation within our industry and client base, which may lead to loss/reduction of business from existing clients, not being able to procure new clients and cause us to pay damages, which may have a consequent adverse effect on our business, results of operations and financial condition.

**9. *We have obtained certain international certifications for our manufacturing processes and finished products. We cannot assure that we will comply with the terms and conditions of these certifications, or that these shall not be withdrawn. Further, if our Proposed Manufacturing Facility in the Proposed Textile SEZ do not obtain similar certifications, we may face difficulties in selling/exporting the products manufactured in our Proposed Manufacturing Facility.***

We have been certified as conforming to the Quality Management System Standard ISO 9001:2008 covering the supply of dyed and printed fabrics. Further, our existing manufacturing facility has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for the certain specified articles. These certifications are subject to stringent terms and conditions, including inspections by the certifying bodies, and we cannot assure that we would be able to comply with the terms and conditions of these certifications on a continuing basis. These certifications are valid for a particular time period, and we cannot assure that these certifications would not be withdrawn prior to their expiry/would be renewed on expiry. Further, if our Proposed Manufacturing Facility (in the Proposed Textile SEZ) do not obtain similar certifications, we may face difficulties in selling/exporting products manufactured in our Proposed Manufacturing Facility.

**10. *We have not tied up funds for the implementation of the Proposed Textile SEZ, and cannot assure that the funding would be available to us, or would be available at terms and conditions commercially acceptable to us. Delay or inability to complete the Proposed Textile SEZ would have a material adverse effect on our results of operations and financial condition.***

In addition to setting up the Proposed Manufacturing Facility, which is one of the objects of the Issue, we are also implementing the Proposed Textile SEZ. We do not intend to utilise the Issue Proceeds towards implementation of the same. We would require funds for the initial implementation of the Proposed Textile SEZ, for which we may need further debt/equity funding. We have not tied-up the means of funding for the initial implementation for the Proposed Textile SEZ. The implementation of the Proposed Textile SEZ would be effected in a phased manner. After the initial phase is completed we expect to receive advances from parties interested in setting up units in our Proposed Textile SEZ, which may part-finance implementation of further phases. We cannot assure that the funds for the implementation of the Proposed Textile SEZ would be available to us, or would be available on terms and conditions commercially acceptable to us. Any delay or inability to complete the Proposed Textile SEZ, or cost overrun in the same, would have a material adverse effect on our results of operations and financial condition.

**11. *We cannot assure that we would be able to service our existing and proposed indebtedness.***

In addition to our indebtedness for our existing operations, we have been sanctioned term loans of Rs. 6,500 Lacs for our Project. We would require further indebtedness including in the form of term loans for our Project, funding working capital requirements for our existing Manufacturing Facilities and Proposed Manufacturing Facility, and setting up the Proposed Textile SEZ. This indebtedness would adversely affect our debt-equity ratio and our ability to further borrow at competitive rates. Further, interest costs have been on the rise in the last few months, and the servicing of our existing and proposed indebtedness may adversely affect our profitability and cash flows, and we cannot assure that we would be able to service the increased interest burden on account of our existing and proposed indebtedness, including on account of funding implementation of the Proposed Textile SEZ.

**12. *Our future fund requirements, in the form of fresh issue of capital or securities and or loans taken by us, may be prejudicial to the interest of the shareholders depending upon the terms on which they are eventually raised.***



We may require additional capital from time to time depending on our business needs. Any fresh issue of Equity Shares or convertible securities would dilute the shareholding of the existing shareholders and such issuance may be done on terms and conditions, which may not be favourable to the then existing shareholders. If such funds are raised in the form of loans or debt or preference shares, then it may substantially increase our fixed interest/dividend burden and decrease our cash flows, thus adversely affecting our business, results of operations and financial condition.

**13. *We are subject to restrictive covenants in certain short-term and long-term debt facilities provided to us by our lenders.***

We have entered into agreements for availing financial facilities from various lenders. Certain covenants in these agreements require us to obtain approval/ permission from our lenders in certain conditions. These conditions include, amongst others, implementation of any scheme of expansion / diversification / renovation/capital expenditure, formulation of any scheme of amalgamation or reconstruction, undertaking of guarantee obligation, any change in our capital structure, among others. We cannot assure that these approvals would be forthcoming when we apply for the same.

For further details in this regard, including approvals obtained from our lenders for the Issue, please refer chapter titled “*Restrictive Covenants in Loan Agreements*” beginning on page 190 of the Red Herring Prospectus.

**14. *Our Company has not entered into any long term sales contracts or agreements with any customer.***

Our Company’s sales take place on the basis of purchase orders. We do not have any long term sales contracts with our customers. Our business is order-driven, and we cannot assure that we would be able to obtain sufficient orders to meet our existing and proposed manufacturing capacities, on terms and conditions which are commercially acceptable to us.

**15. *Our Promoters have interest in certain entities, which have engaged in textile business in the past. We do not have a non-compete agreement or contract with any of these entities, and hence a potential conflict of interest situation may arise.***

Entities Promoted by our Promoters namely. M/s. Anu Impex, Pradip Enterprises Limited and M/s. Pradip Exports, had been involved in similar business in the past as that of our Company. M/s. Anu Impex has a MOU with our Company for supply of grey cloth and other material required by our Company for manufacture and exports of Home Linen Products from our manufacturing Unit at Changodar near Ahmedabad. While the aforesaid entities are not carrying any business competing with that of our Company as on date of the Red Herring Prospectus, we cannot assure that these entities will not get involved in any business which competes with that of our Company in the future. We do not have any non-compete or such other agreement / arrangement with the Entities Promoted by our Promoters, and we cannot assure that conflict of interest situations would not arise in the future. For further details, please refer chapters titled, “*Business Overview*”, “*Entities Promoted by our Promoters*” and Annexure X “*Related Party Disclosure*” in the chapter titled “*Auditors’ Report and Financial Information of our Company*”, beginning on pages 92, 176 and 150, respectively of the Red Herring Prospectus.

**16. *Our success largely depends on our key managerial personnel and our ability to attract and retain them. Any loss of our key managerial personnel could adversely affect our business, operations and financial condition.***

We depend significantly on the expertise, experience and continued efforts of our key managerial personnel. If one or more members of our key managerial personnel are unable or unwilling to continue in his/her present position, it could be difficult to find a replacement, and business could thereby be adversely affected. Competition for key managerial personnel in our industry is intense and it is possible that we may not be able to retain our existing key managerial personnel or may fail to attract/ retain new employees at equivalent positions in the future. As such, loss of key managerial personnel could adversely affect our business, results of operations and financial condition. As on date, no key managerial personnel have left our Company. For further details on the key managerial personnel of our Company please refer chapter titled ‘*Our Management*’ beginning on page 132 of the Red Herring Prospectus.

**17. *Our work force may unionize in the future. Further, our Company hires its labour requirements on contract basis through third party contractors. Contract labour being supplied to us by third parties, we cannot assure that the same would be available in accordance with our requirements.***

As on date, our employees are not represented by any labour union. However, our employees may unionise in the future. While we consider our current labour relations to be satisfactory, there can be no assurance that we will not experience future disruptions to our operations due to disputes including strikes, work stoppages, or increase wage demands by our employees or



other problems with work force which may adversely affect our business or operations. In that case, there may be restrictions on the flexibility of our labour policies which would adversely affect us. Further, we have used contract labour to meet our labour requirements in the past. We cannot assure that the same would be available to us in accordance with our requirements and cost estimates in the future, and non-availability of requisite contract labour or increased costs may adversely affect our business, results of operations and financial condition. For further details on the key managerial personnel of our Company please refer chapter titled “*Our Management*” beginning on page 132 of the Red Herring Prospectus.

**18. *Pressure on margins and competitiveness due to increase in employee compensation packages.***

Increase in compensation payable to employees in India may reduce some of the inherent cost competitiveness enjoyed by us. Employee compensation in India is increasing rapidly, which could result in increased costs in retaining and attracting employees. Any increase in compensation payable by us, may reduce our competitiveness compared to that of our competitors in other emerging economies such as China, Pakistan, Bangladesh etc.

**19. *We have concentrated primarily on the Home Linen Products industry. We compete with other manufacturers on a global basis. Any downturn in demand in Home Linen Products would have a material adverse effect on our business. Further, our business is subject to ever-changing trends in the Home Linen Products market.***

Right from the inception of our Company, we have concentrated primarily on the Home Linen Products market. Consequently, any downturn or decrease in demand in the market for Home Linen Products, whether in India or abroad (specially in our key markets like Europe, USA or emerging markets like Canada) would have a material adverse effect on our business. Further, we operate in a highly dynamic industry with ever-changing trends, which requires creative output in a cost-effective manner, and we cannot assure that we would be able to effectively meet these requirements. We compete with suppliers on a global scale, and inability to keep in line with the latest global trends, or to be a cost-effective on a global scale, would adversely affect the demand for our products and our potential for further growth.

**20. *Failure to estimate optimal manufacturing facilities could adversely affect our growth/profitability***

Estimation of optimal manufacturing capacities for various products is critical to our operations. Should we for any reason, not invest in capacity expansion in the future, the same could result in our Company not being able to meet additional demand, stagnation in our sales and could impact our ability to add new customers / maintain our market share. Conversely, in the event we over- estimate the future demand, we may have excessive capacity, resulting in under utilization of assets and/or sales of surplus products at lower margins/loss, which would have a material adverse effect on our margins, results of operations and financial condition.

**21. *We rely on our manufacturing facilities and any breakdown or failure of equipment at any of our manufacturing facilities or other adverse development impacting our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations. Further, failure to comply with pollution control norms and emission regulations could adversely affect us.***

Our manufacturing facilities at Changodar, Ahmedabad District, Gujarat are subject to several operating risks. These include, in relation to our manufacturing equipment, the breakdown or failure of equipment, power supply or processes, performance below expected levels of output, raw material shortage or unsuitability and obsolescence, among others. Other factors which may adversely impact our manufacturing facilities include labour disputes, strikes, lock-outs, non availability of services of our external contractors, our ability to respond to technological advances and emerging industry standards and practices in the industries we operate and propose to operate on a cost effective and timely basis. Other factors beyond our control which may adversely impact our manufacturing facilities include earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks or any other factor (s) adversely impact our manufacturing facilities could significantly affect our operating results, and may adversely affect our business, results of operations and financial condition.

The day-to-day activities of our Company are subject to, among other laws, environmental laws and regulations promulgated by the Ministry of Environment and Forests, Government of India and the respective state pollution control authorities. These include laws and regulations that limit the discharge of pollutants into air and water and establish standards for the treatment, storage and disposal of hazardous waste materials. These regulations could become more stringent in the future.



Some of these laws and regulations may be subject to varying and conflicting interpretations. Many of these laws and regulations provide for substantial fines and potential criminal liabilities for violations and require the installation of costly pollution control equipment or operational changes to limit pollution emissions and/or reduce the likelihood or impact of hazardous substance releases. In some cases, compliance with environmental, health and safety laws and regulations might only be achievable by capital expenditure, such as the installation of additional pollution control equipment. We cannot accurately predict future developments such as increasingly strict environmental laws or regulations and enforcement policies resulting in higher compliance costs. This may have an adverse effect on our financial condition and results of operations.

**22. *Changes in technology may impact our business by making our plants less competitive.***

Advancements in technology may require us to incur additional capital expenditure for upgrading our manufacturing facilities so as to compete with our competitors on a global scale. In the event that we are not able to respond to such technological advancements in a timely manner, we may become less competitive thereby adversely affecting our business, results of operations and financial condition.

**23. *Any mishaps or accidents at our facilities could lead to property damage, production loss and accident claims.***

Any mishap or accident in any manufacturing facility could result eventually in damages, which may result in our Company suffering a loss. Our Company could suffer a dip in production, receive adverse publicity and could be forced to invest valuable resources in defending such damages, both in terms of time and money. Although there have been no accidents involving our Company in the past, we cannot assure that there would not be mishaps or accidents at our manufacturing facilities in the future. Furthermore, we cannot assure that issues arising from such accidents, such as compensation and liability, will be amicably settled without leaving any adverse impact on production or damage to our facilities, in the form of litigation or regulatory action being taken against us.

**24. *Certain types of risks may not be covered under our existing insurance policies, since these may be uninsurable or not economically viable. Our insurance coverage may not be sufficient to fully cover us against an insured risk or loss.***

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks, specifically risks like product defect/liability risk, loss of profits, and are subject to exclusions and deductibles. There can be no assurance that our insurance policies will be adequate to cover the losses in respect of which the insurance had been availed. If we suffer a significant uninsured loss or if our insurance claim in respect of the subject-matter of insurance is not accepted or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. For details on our insurance coverage, please refer chapter titled 'Business Overview' beginning on page 92 of the Red Herring Prospectus.

**25. *We are yet to fulfill the export obligations under an advance license. The period for fulfillment of the same has expired, and we are yet to apply for renewal of the same. Further, we cannot assure that we would meet our export obligations arising from the Proposed Manufacturing Facility in the Proposed Textile SEZ.***

We have an export obligation pending under an advance license no. 0810057399/3/03/00 dated June 19, 2006 for export of 1,29,416 sq.mt. in a period of twenty four months, of which 89,529.79 sq. mt made- ups made from polyester cotton blended fabrics have been exported, while 39886.21 sq. mt. are pending out of the total obligation. The period by which exports should have been effected was June 18, 2008, which has expired. We had not applied for an extension for the abovementioned license as the said license had expired and also as the original license was lost. Further to obtain a duplicate license, application could not be made as the unutilised portion of the license could not be ascertained. We may receive a notice from the concerned statutory authorities with respect to the abovementioned export obligation. The total liability for the said export obligation not being met amounts to Rs. 23.49 lacs which has been reflected as contingent liabilities in the audited financial statements for the period ending December, 31, 2009. For further details please refer chapter titled "Government and Other Statutory Approvals" beginning on page 199 of the Red Herring Prospectus. Further, we cannot assure that we will be able to meet our export obligations in respect of the Proposed Manufacturing Facility in the Proposed Textile SEZ as applicable to units situated in a SEZ from time to time.

**26. *The name and logo of our Company have not been registered under the Trade Marks Act, 1999. We have applied for the registration of the same, with the Trade Marks Registry, Ahmedabad.***



We have filed applications for registering the name and logo of our Company and mark “PRADIP”, alongwith various other marks pertaining to our products, under various classes under the Trade Marks Act, 1999 and these applications are pending with the Trade Mark Registry at Ahmedabad. There can be no assurance that our trade mark applications will be accepted and the trademarks will be registered. Further, our applications for the registration certain trade marks may be opposed by third parties, and we may have to incur significant cost and spend time in litigations in relation to these oppositions. In the event we are not able to obtain registrations for the trademarks for which we have applied for registration, we may not be able to avail of the legal protection and legal remedies (in case of infringement) available as a proprietor of registered trademarks.

For further details, please refer chapter titled ‘*Business Overview*’ beginning on page 92 of the Red Herring Prospectus.

**27. We are significantly dependent on a few major customers. Our top ten customers have contributed 48 % of our turnover in FY 2008 and approximately 42 % in FY 2009.**

The revenues from our top 10 customers constituted approximately 48 % & 63 % and 42% & 66% of domestic and export revenues for FY 2008 and FY 2009 respectively. These customers procure Home Linen Products from our Company. While our Company has done substantial business with these customers in the past, we do not have any legally binding agreements or commitments to supply to them in the future and we cannot assure that we would receive any orders at all from any of these customers in the future, or receive orders from them on terms and conditions commercially acceptable to us. Loss of one or more of our major customers would have a material adverse effect on our business, results of operations and financial condition.

**28. We have entered into related party transactions.**

We have entered into related party transactions amounting to 2259.69 lacs as on period ended December 31, 2009, with Entities Promoted by our Promoters and other persons/entities who are “related parties” in terms of the relevant Accounting Standard. For details, please refer to the Annexure X titled “*Related Party Disclosure*” in the chapter titled “*Auditors’ Report and Financial Information of our Company*” beginning on page 150 of the Red Herring Prospectus.

**29. We would continue to be controlled by our Promoters after the Issue, and our remaining shareholders would not be able to affect the outcome of most items requiring shareholder voting. Their interests may conflict with your interests as a shareholder.**

Post this Issue, our Promoters and Promoter Group will own 68.68 % of our fully diluted Equity Share capital. Accordingly, our Promoters will continue to have control over our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election, termination or appointment of our officers and directors. This control could delay, defer, or prevent a change in control in our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage potential acquirers from making an offer or otherwise attempting to obtain control over our Company even if it is in its best interest. Our Promoters may also influence our material policies in a matter that could conflict with the interests of our other shareholders.

**30. We had contingent liabilities as on March 31, 2009 and December 31, 2009.**

As on March 31, 2009 and December 31, 2009, contingent liabilities not provided for were as follows:

Particulars	(Rs. In Lacs)	
	As on March 31, 2009	As on December 31, 2009
Export obligation pending against advance license	22.33	23.49
Bank Guarantee	42.41	17.41
Export obligation under EPCG license.	33.38	Nil
<b>Total</b>	<b>98.12</b>	<b>40.90</b>



**31. We have planned capital expenditures, which may not yield the benefits intended.**

We are embarking upon a major expansion to meet the growing demand. We are incurring capital expenditure of Rs. 9,995 Lacs as detailed in the chapter titled '*Objects of the Issue*' beginning on page 57 of the Red Herring Prospectus, for our Project, which is for the purposes of capacity expansion. Further, we are also setting up the Proposed Textile SEZ, which would involve substantial capital expenditure. In past, we have not undertaken capital expenditure of such size, both in relation to the Project and the Proposed Textile SEZ, and our inability to effectively complete these projects within the intended costs and timelines may adversely affect our operations. Any delay or cost overrun will adversely affect our ability to cater to growing demand, as also adversely impact our margins, which would adversely affect our results of operations and financial condition.

**32. Risk for land in relation to setting up Proposed Textile SEZ.**

As on January 31, 2009, of the 12,13,350 Sq. Mt. acquired by us for the Proposed Textile SEZ, we have acquired 8,45,534 Sq. Mt. by way of sale deeds and lease (both held in our name and on our behalf) and 3,67,816 Sq. Mt. by way of MOU's, pending the execution of final sale deeds. We cannot assure that we will execute final sale deeds with respect to the land for which we have entered into MOU's.

For certain properties aggregating 1,35,294 Sq. mtrs, while we have acquired the properties, the title search reports for those respective properties state that as per the record of rights, charges in favour of certain local societies are pending, which we need to take necessary steps to remove the charge entries. We are in the process of taking these steps, but the process is not yet completed.

Further, few SEZ developers have have approached to the Government of India to de-notify the SEZ approved due to various reasons including viability of the project, deterioration in demand in foreign markets. Though the Government is considering the application for de-notification put up by various SEZ developers, the Government policy for promoting SEZ remains unchanged. However, any change in Government policies towards SEZ's may have a material adverse effect on the setting up of our proposed Textile SEZ which may affect our results of operations and financial condition.

Also, there have been instances in the past of resistance from landowners for setting up large-scale projects in India, and we cannot assure that we would not face resistance from the landowners including those who have already sold their land for the Proposed Textile SEZ. Any roadblocks in the land acquisition process would have a material adverse effect on the setting up of the Proposed Textile SEZ. Any cost escalation in this regard would also increase costs beyond our budgeted estimates and adversely affect our results of operations and financial condition.

**33. We or our Promoters do not have prior experience in setting up an SEZ.**

We or our Promoters do not have prior experience in setting up an SEZ. Setting up an SEZ involves huge capital costs and compliances with an extensive set of laws and regulations. We cannot assure that we will be able to set up the Proposed Textile SEZ, or set it up within our estimated costs and timelines. This lack of prior experience may prove to be detrimental to our Company in the course of setting up of the Proposed Textile SEZ.

**34. We operate in a highly competitive and fragmented industry and our failure to successfully compete could result in a loss of business including loss of one or more significant customers.**

Most of the end-users for some of our products are price conscious. Pricing is one of the factors that play an important role in selecting these products. The market for textiles, specifically Home Linen Products, is highly competitive with both organised players and unorganized players across continents and countries. The top five competitors for our Company in the textile industry are namely, Alok Industries Limited, Mudra LifeStyle Limited, Himatsingka Seide Limited, Bombay Dyeing and Manufacturing Company Limited and Gujarat Heavy Chemicals Limited. Some of our competitors may have longer industry experience and greater financial, technical and other resources, which may enable them to grow faster. We may face increased competition as a result of our country entering into or being a party to international level trade agreements with other countries which may encourage imports into India or discourage exports to other countries. Growing competition may result in a decline in our market share, force us to reduce our margins and adversely impact our revenues. We cannot assure that we will be able to compete effectively in the Indian or global markets. For further details on our competition, please refer to paragraph titled "Competition" under chapter titled "Business Overview" beginning on page no. 92 of the Red Herring Prospectus.



**35. *Our inability to manage growth could disrupt our business and reduce our profitability. We may not be able to sustain effective implementation of our business and growth strategy.***

Our growth strategy is subject to and involves risks and difficulties, many of which are beyond our control and, accordingly, there can be no assurance that we will be able to implement our strategy or growth plans, or complete them within the budgeted cost and timelines. Any inability on our part to manage our growth or implement our strategy effectively could have a material adverse effect on our business, results of operations and financial condition. Further, we operate in a highly dynamic industry, and on account of changes in market conditions, industry dynamics, technological improvements or changes and any other relevant factors, our growth strategy and plans may undergo changes or modifications, and such changes or modifications may be substantial, and may even include limiting or foregoing growth opportunities if the situation so demands.

**36. *Our Company imports some of the raw materials such as dyes and chemicals which constitute 0.16 % of the cost of raw materials required for the manufacturing process as on period ended December 31, 2009. Any adverse fluctuations in supplies or prices may adversely affect our results of operations and financial condition.***

Our Company has to rely on the import of raw materials such as dyes and chemicals for manufacturing the processing of Home Linen Products. Timely procurement of raw material is the most critical aspect of our manufacturing operation and the same is subject, *inter alia*, to laws monitoring the import in India as also laws governing exports in the countries/territories from where the exports originate, sovereign and territorial factors, among others. Further, any change in the import-export policy by the Government of India or any increase in the prices of the raw material due to the adverse foreign currency fluctuation may have a negative impact on the import of our raw materials, and consequently adversely affect our results of operations.

**37. *The exchange ratio of shares for the scheme of demerger was arrived at based on the valuation carried out by our Statutory Auditors***

The exchange ratio of shares for the scheme of demerger was carried out by M/s Ashok Dhariwal & Co., Chartered Accountants (Membership No.36452) who are also our Statutory Auditors and not by any third party valuer who has no prior association with the Company.

**38. *Our Company has unsecured loans which are repayable on demand.***

As on December 31, 2009 our Company has unsecured loans amounting to Rs. 5,828.26 Lacs, out of which Rs. 2252.86 Lacs was from group / associate companies and Rs. 3,575.40 Lacs were from other body corporates, which is repayable on demand. Any demand from lenders for repayment of such unsecured loans, may adversely affect our business operations. For further details of these unsecured loans, please refer to the heading of 'Details of Unsecured Loans' beginning on page 171 under the chapter Auditors' Report beginning on page 150 of the Red Herring Prospectus.

**Risks related to objects of the Issue**

**39. *We have had a time overrun on certain activities for implementation of the Project from the schedule of implementation as mentioned in the Re-Appraisal Report.***

We had granted preliminary letters of intent on September 01, 2008 for inviting bids, scrutiny and award of contract in relation to infrastructure for civil work. The revalidation of the bids had to be obtained by August 2009, but has been delayed and the final letter of intent is now expected to be issued in March, 2010. Also, Preliminary letters of intent for preparation of bids for plant, building and civil works had been granted on September 01, 2008. The revalidation of the bids had to be obtained by September, 2009, but has been delayed and the final letter of intent is now expected to be issued in March, 2010. Further, Preparation of bids for plant and machinery had to be obtained by November, 2009, but has been delayed and is now expected to be completed by May, 2010. As there has already been delay in implementing our Project, we cannot assure you that the costs incurred or time taken for implementation of this Project will not vary from our estimated parameters.

**40. *We have not made applications for enhancement of our working capital limits to meet the incremental working capital requirement for our future operations.***

One of the objects of this Issue is to raise funds for the incremental working capital margin of Rs. 9,995 Lacs for our future operations for our current facilities and Proposed Manufacturing facility. We have not made applications for enhancement of



our working capital limits for our future operations. Further out of the issue proceeds, we may utilize more than 25% of the issue proceeds towards working capital requirements. We cannot assure that the funds for the working capital would be available to us, or would be available on terms and conditions commercially acceptable to us. Any delay or inability to meet our incremental working capital requirements would have a material adverse effect on our results of operations and financial condition.

**41. *Our Proposed Manufacturing Facility is being part-funded from the IPO Proceeds and any delay or deferment of the same may delay the implementation of the expansion project, increase our interest burden and may adversely affect our results of operations and financial condition.***

Our Project involving the setting up of the Proposed Manufacturing Facility in the Proposed Textile SEZ is proposed to be funded partly from debt internal accruals and partly from IPO proceeds. Any delay in receipt of the IPO proceeds will have a negative impact on the expansion plans of our Company and may delay the commencement of the Project, which may increase our interest burden for the debt portion and adversely affect our results of operations and financial condition.

**42. *Our Company is yet to place orders for 100% of the Plant and Machinery worth Rs. 5,705 Lacs.***

No orders have been placed for 100% of the machinery worth Rs 5,705 Lacs, required for our Proposed Manufacturing Facility to be setup by us. The estimated costs of various plant and machinery have been taken from the Appraisal Report and are not based on supplier quotations. We cannot assure that we would be able to procure these plant and machinery, or procure the same within budgeted costs and timelines. Delays in acquisition of the same could result in the cost and time overrun in the implementation of the Project, which would have a material adverse affect on our business, results of operations and financial condition. For further details, please refer chapter titled ‘*Objects of the Issue*’ beginning on page 57 of the Red Herring Prospectus.

**43. *Plant and machinery worth Rs. 2,725 Lacs is proposed to be imported by us. We have not availed of any hedging facility to cover the risk arising out of foreign exchange fluctuations for the plant and machinery proposed to be imported by us.***

We are yet to place orders for the plant and machinery aggregating to Rs. 2,725 Lacs proposed to be imported by us, as per details in the chapter titled “*Objects of the Issue*” beginning on page 57 of the Red Herring Prospectus. Since no orders have been placed by us as on date, we have not availed of any hedging facility to cover the risk arising out of foreign exchange fluctuations in relation to the aforesaid imports.

**44. *Weaknesses and threats arising out of the Appraisal Report***

The risks as mentioned in the Appraisal Report are as under:

Industry/Activity Risks

- Competition from other countries, viz. Pakistan, China etc.
- Fluctuation of raw material prices with the fluctuation of crude oil prices
- Fluctuation in foreign exchange rates

Borrower/business risks

- Company is facing stiff competition from both domestic and foreign manufacturers

**45. *The deployment of funds in the project is entirely at our discretion, based on the parameters as mentioned in the chapter titled “Objects of the Issue” and is not subject to monitoring by any independent agency.***

The deployment of the funds towards the objects of the Issue is entirely at the discretion of our Board of Directors and is not subject to monitoring by external independent agency. However, the deployment of funds is subject to monitoring by our audit committee. Further, we cannot assure that the actual costs or schedule of implementation of the proposed manufacturing facility will not vary from the estimated costs or schedule of implementation, and such variance may be on account of one or more factors, some of which may be beyond our control.

**EXTERNAL RISK FACTORS**





**46. Adverse changes in Government policies, including reduction or termination of policies instituted to promote growth of the textile sector, or adverse changes in taxation policies.**

The term of the current Lok Sabha is scheduled to end shortly and would be followed by general elections. We cannot assure that the current Government or the next Government at the centre would pursue economic or regulatory policies which would promote the growth of the textile sector in India. Any adverse policy changes or decisions, including reduction or termination of policies instituted to promote the growth of the textile sector, may have a material adverse effect on the textile sector in general and on the business and financial performance of our Company in particular. Further, changes in Government policies at Central, State or local level, including taxation policies, may adversely affect our business, results of operations and financial condition.

**47. All our present and proposed manufacturing facilities and Proposed Textile SEZ are situated in one geographical area, and thus exposed to any risks/adverse developments affecting that area.**

Our present manufacturing facility is situated and Proposed Manufacturing Facility are proposed to be situated around Changodar in Ahmedabad district and our business operations are vulnerable to damage or interruptions in operations due to adverse weather conditions, earthquakes, fires, explosions, power loss, viruses, transmission cable cuts, civil disturbances or other similar events which may affect these areas. Any failure of our systems or any shutdown of any part of our manufacturing unit, networks, operations because of operational disruptions, natural disaster such as flood or earthquake, or other factors, could disrupt our services and result in significant costs and delays in execution of orders. We do not have a diversified base of manufacturing operations, and local disturbances would have a material adverse effect on our business, and consequently on our results of operations and financial condition. The Proposed Textile SEZ is also in the same area and is subject to the aforesaid geographical concentration risks.

**48. Any future issuance of Equity Shares or instruments convertible into Equity Shares by our Company may dilute the investor's shareholding or sales of the Equity Shares or instruments convertible into Equity Shares by any of our significant shareholders may adversely affect the trading price of our Equity Shares.**

Any future issuance of Equity Shares by us or the issue of instruments convertible into Equity Shares could dilute the investor's shareholding. Additionally, sales of our Equity Shares by our Promoters or significant shareholders could also have an adverse affect on the trading price of our Equity Shares. Such events could also impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

**49. After the Issue, the price of our Equity Shares maybe highly volatile, or an active trading market for our Equity Shares may not develop or sustain.**

The price of our Equity Shares on the Stock Exchanges may fluctuate after this Issue as a result of several factors including:

- a) Volatility in Indian and global securities market;
- b) Our results of operations and performance;
- c) Performance of our competitors and perception in the Indian market about investment in the sectors in which our Company operates;
- d) Changes in the estimates of our performance or recommendations by financial analysts;
- e) Significant development in India's economics liberalization and de-regulation policies; and
- f) Significant development in India's fiscal and environmental regulations.

There can be no assurance that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue.

**50. Hostilities with neighbouring countries and civil unrest in India may have material adverse impact on the market for securities in India.**

The Indian sub-continent has from time to time experienced instances of civil unrest and hostilities among neighbouring countries including in recent times. Events of this nature in the future, as well as social and civil unrest within other countries in



Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies and on our business.

**51. *Political, economic and social developments in India could adversely affect our business.***

Since 1991, the Government has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The present Government that has been formed as a result of 2004 general elections in India consists of a coalition of political parties. Any change in the economic policies by the current Government could change specific laws and policies affecting textile companies, pace of deregulation, foreign investment, currency exchange rates and other matters which could adversely affect the investment in our Equity Shares.

**52. *Force majeure events, terrorist attacks and other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations, financial conditions and cash flows.***

Certain events are beyond our control, such as force majeure events, terrorist attacks, and other acts of violence or war, civil unrest and military activity. Any such event could happen at or otherwise affect our raw material suppliers, our Company or our customers, which would adversely affect our business, results of operations and financial condition. Moreover, these and other similar events may adversely affect worldwide financial markets and could lead to global or local economic recession or slowdown. Such events may also result in a loss of business confidence or have other consequences that could adversely affect our business, results of operations and financial condition. Acts of violence or war could affect the industrial and commercial operations in the country and create a perception that investments in Indian companies involve a higher degree of risk which could have a material adverse effect on the market for securities of Indian companies. The occurrence of any of the foregoing could therefore adversely affect our financial performance or the market price of our Equity Shares.

**53. *A slowdown in economic growth in India and other unfavourable changes in political and economic factors may adversely affect our business and results of operations.***

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or future volatility in global commodity prices could adversely affect our business.

**54. *Inflation could lead to an increase in operating costs, and adversely affecting margins. Further, regulatory actions to rein inflation have led to increase in interest rates.***

A rise in inflation in the Indian economy has led to an increase in costs in the Indian economy, which may adversely affected the margins and volumes growth for Indian corporates. Regulatory actions including interest rate hikes tackle inflationary trends also have the potential to stifle growth in the Indian economy, both on the investments and consumer spending. Each of the above factors could have a material adverse effect on our business.

**55. *Any downgrading of India's debt rating by an international rating agency may harm our ability to raise overseas finance***

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

**56. *India is vulnerable to natural disasters that could severely disrupt our normal operations of business and adversely affect our earnings.***



India is susceptible to earthquakes and other natural disasters like cyclones, tsunamis etc. On December 26, 2004, Southeast Asia, including the Eastern coast of India, experienced a tsunami that caused significant loss of life and property damage. On January 26, 2001, the Kutch region in the State of Gujarat suffered a major earthquake causing significant loss of life and property. All of our Manufacturing Facilities and employees are located in India. If our business operations are damaged by an earthquake, tsunami or other natural disaster, the same would have a material adverse effect on our business, results of operations and financial condition. Further, any natural disaster in India could also have a material adverse effect on our Company.

**57. *The volatility that the Rupee-Dollar exchange rates has witnessed in recent times requires timely and appropriate hedging to avoid any adverse impact on the profitability of our Company.***

The exchange rate between the Indian Rupee and the US Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. Our operating and financial results would be adversely impacted when the rupee appreciates against dollar/Euro.

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

On listing of our Equity Shares, we would be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The maximum movement allowed in the price of the Equity Shares before the circuit breaker is triggered is determined by the Stock Exchange based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchange does not inform the listed company of the triggering point of the circuit breaker in effect from time to time, and may change it without the knowledge of the listed company. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

**Notes to Risk Factors:**

- i) Our Company was originally formed as a partnership firm in the name and style of M/s. Vishal Textiles *vide* partnership deed dated April 13, 2005. The name of the firm was changed from M/s. Vishal Textiles to M/s. Chetan Textiles *vide* supplementary deed of partnership dated June 15, 2005. Subsequently the partnership firm was converted into a company on June 29, 2005 under part IX of the Companies Act, 1956 as "Chetan Textiles Private Limited" with CIN U17100GJ2005PTC046345. Our Company was converted into a public limited company *vide* fresh certificate of incorporation dated August 09, 2006. The name of our Company was subsequently changed to "Pradip Overseas Limited" *vide* fresh certificate of incorporation dated October 01, 2007. For further details of the reasons of changes in the Memorandum of Association of our Company please refer to the title "*Changes in the Memorandum of Association since incorporation*" in the chapter titled "*History and other Corporate Matters*" beginning on page 118 of the Red Herring Prospectus.
- ii) Public Issue of 1,06,00,000 Equity Shares for cash at a price of Rs. [●] per Equity Share for cash aggregating Rs. [●] (the "Issue") by Pradip Overseas Limited ("Company"/"Issuer"). The Issue comprises 5,00,000 Equity Shares of Rs. 10 each reserved for subscription by Eligible Employees and a Net Issue to the Public of 1,01,00,000 Equity Shares of Rs. 10 each. The Issue will constitute 26.26 % of the fully diluted post Issue paid-up equity capital of our Company. The Net Issue to the Public will constitute 25.02% of the fully diluted post Issue paid-up capital of our Company.
- iii) The Issue is being made in terms of clause sub-clause (ii) of clause (a) and sub-clause (i) of clause (b) of sub -regulation (2) of Regulation 26 of the SEBI (ICDR) Regulations, 2009.
- iv) Net worth as per the restated financial statements as on March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and December 31, 2009 was, Rs. 1,035.47 Lacs, Rs. 4,697.16 Lacs, Rs. 8,512.40 Lacs, Rs. 12,660.86 and Rs. 17,772.23 Lacs respectively.



- v) Net Asset Value per Equity Share as per the restated financial statements as on March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and December 31, 2009 was Rs. 222.95, Rs. 15.98, Rs. 28.60, Rs. 42.53 and Rs. 59.70 per share respectively.
- vi) The average cost of acquisition per Equity Share for our Promoters Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia is Rs. 1.17, Rs. 1.26 and Rs. 1.04 respectively.
- vii) The details of of the Business interest of our Entities promoted by our Promoters are appearing under Related Party Transactions on Annexure X titled “*Related Party Disclosure*” in the chapter titled “*Auditors’ Report and Financial Information of our Company*” beginning on page 150 of the Red Herring Prospectus.
- viii) For details of transactions in the securities of our Company by our Promoters, our Entities Promoted by our Promoter and Directors in the last six months, please refer “*Notes to Capital Structure*” in chapter titled “*Capital Structure*” beginning on page 45 of the Red Herring Prospectus.
- ix) In the event of the Issue being oversubscribed, the Allocation shall be on a proportionate basis to QIBs, Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees. For details, please refer paragraph titled “*Basis of Allotment*” in chapter titled “*Issue Procedure*” beginning on page 221 of the Red Herring Prospectus.
- x) Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.
- xi) Investors are advised to refer chapter titled “*Basis for Issue Price*” on page 71 of the Red Herring Prospectus.
- xii) Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. For any clarification or information relating to the Issue, investors may contact the BRLM, who will be obliged to provide such clarification or information to the investors.
- xiii) Investors may contact the BRLM and the Syndicate Members for any complaints pertaining to the Issue.



## SECTION – IV

### INTRODUCTION

#### SUMMARY OF INDUSTRY AND BUSINESS

##### INDUSTRY OVERVIEW

##### INDIAN SCENARIO

The textile industry occupies a unique position in the Indian economy as it contributes significantly to the industrial production, employment generation and foreign exchange earnings. It has immense potential for employment generation, particularly in the rural and remote areas of the country on account of its close linkage with agriculture. The Indian textile industry is one of the largest in the world with a projected US\$ 20.94bn of exports during the 2008-2009 (Source: Ministry of Textile).. It has a total market size of US \$52 billion and accounts for 26% of the manufacturing sector, 20% of industrial production and 18% of industrial employment. It contributes 15% to gross export earnings and 4% to national GDP. It provides direct employment to about 35 million persons. Besides, another 50 million people are engaged in allied activities. Market size potential for the industry is envisaged at USD 115 bn by FY 2012 (exports US\$ 55 billion; domestic market US\$ 60 million. (Source: Annual report 2008-09, Ministry of Textiles). It is the only industry which is self-reliant and complete in value chain. i.e. from raw material to the highest value-added products – garments/made-ups. Therefore, the growth and development of this industry has a significant bearing on the overall development of the Indian economy.

The close linkage of the Industry to agriculture and the ancient cultures, and traditions of the country make the Indian textile sector unique in comparison with the textile industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country. The major sub-sectors that comprise the textiles sector include the organized Cotton/ Man-Made Fibre Textiles Mill Industry, the Man-made Fibre/ Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

##### STRUCTURE OF THE INDIAN TEXTILE INDUSTRY

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized powerlooms/ hosiery and knitting sectors form the largest section of the Textiles Sector. This industry uses natural fibres – cotton, jute, silk and wool, as well as synthetic/man-made fibres – polyester, viscose nylon, acrylic and their multiple blends. The complex and varied structure of the industry coupled with its linkage with our ancient culture and tradition provides it with the unique capacity to produce. With the help of the latest technological inputs and design capability, a wide variety of products suitable to the varying consumer tastes and preferences, both within the country and overseas. The textile industry has shown remarkable resilience and has grown considerably in terms of installed spindleage, yarn production and output of fabrics and garments. (Source: Annual report 2008-09, Ministry of Textiles)

##### CURRENT SCENARIO

The exports of textiles and clothing during 2003-04, 2004-05, 2005-06 and 2006-07 were US\$ 13.5 billion, US\$ 14 billion, US\$ 17.52 billion and US\$ 19.15billion respectively. The exports were US\$ 22.13billion in 2007-08, registering a growth of 15.56% in dollar terms. However due to economic meltdown, the textile export is projected to decline to US\$ 20.94 billion in 2008-09 (Source: Ministry of Textile).The industry which was growing at 3-4 percent during the last six decades has now accelerated to an annual growth rate of 16 percent in value terms and will reach the level of US \$ 115 billion by 2012. The textiles sector has witnessed a spurt in investments during the last four years. The main engine of investment has been the Technology Upgradation Fund Scheme (TUFS). The Total investment during 1999-2007 has been Rs. 1,21,396 crore, of which the Investment during 2004-2007 was Rs. 1,01,481 crore. It is expected to touch Rs. 1,50,600 crore by 2012. This enhanced investment will generate 17.37 million jobs. (Source: Annual report 2008-09, Ministry of Textiles)

##### BUSINESS OVERVIEW

Our Company is one of the few textile manufacturers with niche focus on Home Linen Products of both, wider width and narrow width. In addition to the sales in the domestic markets, our products are being exported to markets in more than twenty countries



(directly and indirectly). Our current manufacturing capacity is 136.50 million metres per annum with an average capacity utilization of 92%. Our existing facility is located at Changodar near Ahmedabad in Gujarat. We are enhancing our capacities to 169.50 million metres per annum in order to meet the expanding demand and further consolidate our position in the home linen market. The expansion project is being implemented at the Proposed Textile SEZ being promoted by us near Ahmedabad in Gujarat.

We have been certified as conforming to the Quality Management System Standard ISO 9001:2008 covering the supply of dyed and printed fabrics. Further, our existing manufacturing facility at Plot No. 104, 105 and 106, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zydus Cadila, Near Prakash Solvent, Changodar, Ahmedabad 382213, Gujarat, India, has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for articles, namely bed sets (made-ups), woven fabrics made out of 100% cotton and polyester, bleached, reactive dyed, reactive printed, dispersed dyed and dispersed printed and pigment printed (inclusive sewing threads, buttons and zippers), produced by using material certified according to Oeko-Tex Standard 100. Further, after implementation of the Project, we also intend to file applications for obtaining similar certifications for our Proposed Manufacturing Facility.

In order to strengthen our business presence, we have undertaken the following key business initiatives and signed agreements / Memorandum of Understanding (MoU) with the following parties:-

1. Our Company has received permission from International Development LLC for using and marketing the brand “Lucy B Linens” for Home Linen Products in India and other pertinent countries.
2. C. A. Patel Textiles Private Limited for marketing our products in the domestic market

We have been constantly making an endeavor to create new and more attractive designs / patterns on our products in order to have an advantage over other players in the market. We have a team of designers who develop the indicative designs received from customers and also develop independent designs and we have an extensive library of designs.

## **COMPETITIVE STRENGTHS**

Our Company’s growth has largely been driven by our existing order based business model, combination of Narrow and Wider Width Products, scale of operations, quality of our products and focus on building a strong supply chain.

We believe that we have the following competitive strengths:

### ***Experience and vision of our Promoters***

Our Promoters, Mr. Pradipkumar Karia and Mr. Chetan Karia, have over two decades and sixteen years of business experience respectively in textiles with specific focus on the home linen business in the last fifteen years. Our Promoters set up the Wider Width manufacturing facilities in 2006 which we believe was the right time to enable us to capture the potential domestic and international demand for Home Linen Products. Similarly, based on the experience and vision of our Promoters, we intend to implement Proposed Manufacturing Facility in the Proposed Textile SEZ being promoted by us, to derive benefits of economies of scale, cost benefits and to expand our global footprint, which we believe will have a positive impact on our performance going forward.

### ***Scalable Business Model***

Our business model is order driven, and comprises of optimum utilization of our Narrow Width and Wider Width manufacturing facilities, maximum capacity utilization, developing linkages with quality raw material suppliers and achieving consequent economies of scale. In FY 2006, 2007, 2008, 2009 and period ended December 31, 2009, we have increased capacities (on consolidated basis) to 24.96 million meters, 79.20 million meters, 108.50 million meters, 115.50 million meters and 136.50 million metres respectively, with a capacity utilization of 2.96 %, 86.32 %, 90.57 %, 97.92 and 95.96% respectively. We believe that this business model has proved successful and scaleable for us in the last three financial years, We can scale upward as per the requirement generated by our Company. The business scale generation is basically due to the development of new markets both international and domestic, by adopting aggressive marketing of the product, innovation in the product range and by maintaining the consistent quality of the product.

### ***Existing global supplies and potential for export growth***

Our products have been exported to markets in more than twenty countries, and comprise of 47.50 % of our turnover for FY 2009 (including direct and Indirect Exports). We have developed a foothold in the export market, and we intend to further strengthen our export performance by setting up the Proposed Manufacturing Facility in the Proposed Textile SEZ.



### ***Experienced management team***

Our Company is managed by an experienced team. Each function of the business such as finance, production, engineering, sale, marketing and human resource management are headed by experienced persons with an average relevant experience of over 15 years. Most of the members of the top management team have been working with our Company since inception/ with erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) prior to the Demerger, whose employment was transferred to our Company pursuant to the Scheme of Demerger.

### ***Good relations with our work force***

Our Company has always strived to maintain good relations with our work force, and there have been no occasions of unrest since the incorporation of our Company. This is also demonstrated by our negligible attrition rate. Since the commencement of business by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) (Narrow Width Unit) and our Company (Wider Width Unit), only 29 employees (excluding contract labour) have left the services of our Company/erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) upto March 31, 2009.

### ***Product mix and Market mix***

Our Company mainly deals in Home Linen Products primarily Narrow Width and Wider Widths. Our Company has presence in domestic as well as overseas markets. More than 52.50 % of our products were consumed in the domestic market and 47.50% of our products were exported in FY 2009. A majority of our exports are Indirect Exports which are rupee denominated exports. Our overseas supplies are primarily distributed among American and European markets.

### ***Cost effective production and timely fulfillment of orders***

Timely fulfillment of the orders is a prerequisite in our industry. Our Company has taken various steps in order to ensure adherence to timely fulfillment and also to achieve greater cost efficiency. These steps include identified quality grey cloth suppliers (which forms a bulk of our raw material cost), smooth labour relations, use of an efficient production system and ability to meet large and varied orders due to our capacity and linkages with raw material suppliers. Our Company also has enjoyed good relations with our suppliers of grey cloth which is the primary raw material for our products and as a consequence has had the benefit of timely supplies of grey cloth which has been one of the major reasons why we have been able to achieve timely fulfillment of orders of our customers. Our Company constantly endeavors to implement an efficient procurement policy for inputs required for production so as to ensure cost efficiency in procurement which in turn results in cost effective production.

### ***History of repeat orders***

Our Company has made continuous efforts to ensure customer satisfaction by taking steps for timely delivery of orders to our customers as well as maintaining consistency in quality and this has yielded results in the form of repeat orders from our customers. The repeat orders reflect the confidence reposed in us by our customers. The Proposed Manufacturing Facility is one of the steps taken by our management towards meeting the requirements of our existing customers.

### ***Quality control***

Our Company has implemented a strict quality control process which ensures that the product undergoes various tests after each process resulting in the final product meeting the standards prescribed by our customers. We have received the certificate regarding compliance with Quality Management System Standard ISO 9001:2008 for specified products. Further, our existing manufacturing facility has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for specified products. The ISO 9001:2008 certification is valid till February 01, 2013, while Oeko-Tex authorization is valid till July 31, 2010.

### ***Business Strategy***

Our Company's growth has largely been driven by our existing order based business model, combination of Narrow and Wider Width Products, scale of operations, quality of our products and focus on building a strong supply chain. We intend to capitalize on these strengths and other business initiatives as detailed hereunder to drive our business growth and meet our mission statement of being a leading manufacturer in the global Home Linen Products market. The key elements of our strategy are described below:

### ***Expand our global footprint***

Through a combination of increased capacities, reduced costs, wider range of products adhering to global standards, marketing initiatives, competitive pricing and more efficient use of resources, we intend to expand our global footprint and become a preferred supplier for large format international retail chains and institutions.



### ***Focusing on value added products***

With the well balanced Narrow and Wider Width manufacturing facilities, our Company will be technically capable to focus on value added products such as quilts and organic cotton Home Linen Products. These value added products in the Home Linen Products segment do not normally have high volumes but typically command premium pricing which would have a positive impact on our margins. Further, we also have a minor presence in apparels, dress materials and bottom wear fabrics and based on opportunities (including premium pricing) which may arise primarily in the international market, we would expand our presence further in these areas. Other opportunity areas in value added products include industrial textiles. Our Company's Proposed Textile SEZ is expected to attract small and medium enterprises to invest in the facilities, which are complimentary to our Company's strategy of expanding our product portfolio.

### ***Focus on building market access***

Our Company aims to grow business in all our current markets i.e. India, Europe and North America and also intends to explore markets in Middle East, East Africa and Russia, to meet enhanced capacities. Some of the steps taken by us to build greater market access and more effective customer relationship are as under:

- Company has received permission from International Development LLC, Tampa, FL, USA (IDL) for using and marketing the brand "Lucy B Linens" for Home Linen Products in India and other pertinent countries.
- We have appointed M/s. C.A. Patel Textiles Private Limited for distribution of our Home Linen Products in Indian market through its retail network comprising of more than 2,000 retailers across the country.

### ***Setting up a Textile SEZ***

We have received final approval by Ministry of Commerce and Industry , Department of Commerce (SEZ Section) in favour of our Company for setting up of a sector specific Special Economic Zone for Textile at Village Bhamasra, Taluka Bawla, District Ahmedabad, Gujarat (that is, the Proposed Textile SEZ) *vide* letter of approval dated November 24, 2008 bearing no. F.1/267/2007-SEZ. The salient terms and conditions in relation to the said approval are as follows:

1. Our Company shall develop, operate and maintain the SEZ in terms of Special Economic Zones Act, 2005;
2. Our Company shall obtain the required approval from various statutory authorities under relevant statutes and regulations of the Government of India and the State Government and the local bodies;
3. Our Company shall make adequate provision for rehabilitation of the displaced persons;
4. The project shall be implemented and operated in terms of the Special Economic Zones Act, 2005 and the rules and orders made thereunder;
5. Our Company shall confirm to the environmental requirements;
6. Our Company shall abide by the local laws, rules, regulations or bye-laws in regard to area planning, sewerage disposal, pollution control, labour laws and the like as maybe locally applicable;
7. Our Company shall raise the required funds for the project. External commercial borrowing, if any, will be as per applicable legal guidelines;
8. This approval is valid for a period of three years within which time our Company shall implement the project. The project implementation progress report will be submitted to Government of India every six months;
9. This approval is liable to be suspended in case of violation of any of the terms and conditions stipulated herein;
10. The operation and maintenance of the facilities will be made as per the standards specified in the proposal and to the satisfaction of the users;
11. Our Company shall maintain adequate manpower to provide the facilities;
12. The user charges will be finalized in consultation with the Development Commissioner and the users;
13. Our Company shall obtain the approval of Board for specific activities proposed to be undertaken for development, operation and maintenance of SEZ. Based on activities approved by the Board, our Company shall be entitled for duty free import or domestic procurement of goods for the approved activities under rule 10 after the SEZ has been notified;
14. The authorized operations shall be carried out in terms of the parameters laid down in the Special Economic Zones Act, 2005 and the rules and orders made there-under and in accordance with the proposal approved herein;
15. No duty free goods shall be available for personal use of, or consumption by officials, workers staff or owners of the Unit or our Company;





16. Applications for extensions are not normally considered. Any extension application may be considered on merits, if submitted six months before expiry of approval period.

A copy of this letter is available for inspection in the manner stated in the chapter titled “Material Contracts and Documents for Inspection” beginning on page 301 of the Red Herring Prospectus.

Setting up the Proposed Textile SEZ has several strategic benefits for our Company which include the following:-

- (a) Reduction in the cost and time involved in transporting inputs required for our manufacturing facilities as our facilities would be in close proximity to the units expected to be situated in the Proposed Textile SEZ from where we intend to source our requirement of grey cloth and certain other inputs.
- (b) Better working capital management on account of potential reduction in time lag between procuring orders and dispatch of finished products.
- (c) We can derive the advantage of sourcing grey cloth and certain other inputs from units expected to be situated in the Proposed Textile SEZ at competitive pricing as these entities may also be entitled to certain tax benefits which can be passed on to us.
- (d) Direct and indirect tax benefits available to our Proposed Manufacturing Facility to be situated in the Proposed Textile SEZ, which may enable us to improve our margins.

**Current Order Book**

Our Company’s order book as at February 15, 2010 is Rs. 33,377.96 Lacs, comprising of Export Orders worth Rs. 10,151.15 Lacs and domestic orders worth Rs. 23226.81 Lacs.



## THE ISSUE

<b>Equity Shares in the Issue</b>	1,06,00,000 Equity Shares aggregating Rs. [●] Lacs.
<b>Of which:</b>	
Employee Reservation Portion *	5,00,000 Equity Shares available for Allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at or above Issue Price.
<b>Net Issue to the public</b>	1,01,00,000 Equity Shares aggregating Rs. [●] Lacs
<b>Of which:</b>	
A. Qualified Institutional Buyers Portion *	50,50,000 Equity Shares aggregating Rs. [●] Lacs, constituting upto 50% of the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs ). 5% of the QIB Portion i.e. 2,52,500 Equity Shares aggregating Rs. [●] Lacs shall be available for Allocation on a proportionate basis to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate Allocation under the balance available in the QIB portion.
B. Non-Institutional Portion	15,15,000 Equity Shares aggregating Rs. [●] Lacs, constituting not less than 15% of the Net Issue, that will be available for Allocation to Non-Institutional Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price.
C. Retail Portion	35,35,000 Equity Shares aggregating Rs. [●] Lacs constituting not less than 35% of the Net Issue, that will be available for Allocation to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price.
Equity Shares outstanding prior to the Issue	2,97,66,770 Equity Shares
Equity Shares outstanding after the Issue	4,03,66,770 Equity Shares
Use of Proceeds	Please refer chapter titled “Objects of the Issue” beginning on page 57 of the Red Herring Prospectus for information on use of Issue proceeds.

\* In case of under-subscription in the Employee Reservation Portion, the same would be allowed to be met with spillover inter-se from any other category, at the sole discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange, ( subject to at least 10% Allotment of the Net Issue size to QIBs). In case of under-subscription in the Net Issue (subject to at least 10% Allotment of the Net Issue size to QIBs), spillover to the extent of under- subscription shall be permitted from other categories or a combination of categories in the Net Issue and the Employee Reservation Portion at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Such inter-se spillover, if any, would be effectuated in accordance with applicable laws, rules, regulations and guidelines.



## SUMMARY OF FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated financial statements as of and for the period ended December 31, 2009 and financial years ended on 31st March 2009, 2008, 2007 and 2006. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009 and are presented in the section titled “*Financial Statements*” beginning on page 150 of the Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our restated financial statements, the notes thereto and the chapter titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements*” beginning on page 181 of the Red Herring Prospectus.

### STATEMENT OF RESTATED ASSETS AND LIABILITIES

	(Rs. in Lacs)				
Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>Assets</b>					
<b>Fixed Assets</b>					
Gross Block	10,030.89	7,680.95	7,005.86	6,214.72	3,453.55
Less : Depreciation & Amortisation	2,258.14	1,754.08	1,214.75	732.77	17.52
Net Block	7,772.75	5,926.87	5,791.11	5,481.95	3,436.03
Capital Work In Progress	91.58	91.58	95.82	134.52	571.92
Less : Revaluation Reserve			-	-	-
Net Block (After adjustment for Revaluation Reserve)-(A)	7,864.33	6,018.45	5,886.93	5,616.47	4,007.95
<b>Investments - (B)</b>			-	-	-
<b>Current assets, Loans and Advances</b>					
i) Current Assets:					
Inventories	44,404.82	29,660.90	17,568.85	13,461.99	555.90
DEPB License Stock	27.64	47.00	-	10.08	-
Receivables	36,964.73	21,480.77	14,555.29	4,659.50	46.29
Cash and Bank Balances	8,044.71	7,579.00	2,291.69	2,076.58	83.97
ii) Loans and advances	4,380.86	3,536.19	713.52	615.51	303.89
Total - ( C )	93,822.76	62,303.86	35,129.35	20,823.66	990.05
Deferred Tax Assets - (D)	-	-	-	-	91.79
<b>Total Assets (E) = (A)+(B)+( C ) + (D)</b>	<b>101,687.09</b>	<b>68,322.31</b>	<b>41,016.28</b>	<b>26,440.13</b>	<b>5,089.79</b>
<b>Liabilities &amp; Provisions</b>					
Secured Loans	37,850.06	28,579.33	16,163.83	10,079.70	2,712.73
Unsecured Loans	5,828.26	4,205.56	2,206.94	2,264.52	96.90
Deferred Tax Liability	586.34	455.98	368.63	287.82	-
<b>Current Liabilities &amp; Provisions</b>					
Sundry Creditors	37,728.77	20,212.35	11,915.54	8,210.87	1,244.69
Provisions	1,921.43	2,208.23	1,848.94	900.06	-
<b>Total Liabilities (E)</b>	<b>83,914.86</b>	<b>55,661.45</b>	<b>32,503.88</b>	<b>21,742.97</b>	<b>4,054.32</b>
<b>Net worth (E) - (F)</b>	<b>17,772.23</b>	<b>12,660.86</b>	<b>8,512.40</b>	<b>4,697.16</b>	<b>1,035.47</b>
<b>Represented By:</b>					
<b>Shareholders Funds</b>					
i) Share Capital	2,976.68	2,976.68	1,488.34	281.50	249.25
ii) De merger Adjustment Account	-	-	-	1,206.84	-
iii) Reserves & Surplus	14,800.98	9,691.42	7,033.71	3,208.82	786.22
Less: Revaluation Reserves	-	-	-	-	-
iv) Reserves (Net of Revaluation Reserves)	14,800.98	9,691.42	7,033.71	3,208.82	786.22
v) Miscellaneous Expenditure (To the extend not written off)	5.43	7.24	9.65	-	-



Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
vi) Dr. Balance of P & L A/c.	-	-	-	-	-
<b>Net Worth ((i) + (ii) + (iv) - (v))</b>	<b>17,772.23</b>	<b>12,660.86</b>	<b>8,512.40</b>	<b>4,697.16</b>	<b>1,035.47</b>

#### RESTATED STATEMENT OF PROFIT AND LOSS

Particulars	<i>(Rs. in Lacs)</i>				
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>INCOME</b>					
<b>Sales</b>					
a. Of products manufactured by the Company					
Domestic Sales	47,128.47	38,951.27	31,603.78	15,611.81	196.89
Indirect Exports	51,562.39	51,515.48	30,864.34	19,881.81	-
Direct Exports	2,951.86	4,082.88	3,334.18	3,776.15	-
b. Of products traded in by the Company	20,039.78	22,508.48	-	-	-
	<b>121,682.50</b>	<b>117,058.11</b>	<b>65,802.30</b>	<b>39,269.77</b>	<b>196.89</b>
Other Income	256.88	530.03	579.35	284.71	2.41
Increase (Decrease) In Inventory	5,045.07	3,421.50	2,931.32	1,866.97	24.15
<b>Total Income</b>	<b>126,984.45</b>	<b>121,009.64</b>	<b>69,312.97</b>	<b>41,421.45</b>	<b>223.45</b>
<b>EXPENDITURE</b>					
Raw Material Consumed	87,236.39	78,227.48	53,914.10	32,183.96	166.34
Cost of Goods Traded	19,877.94	22,250.57	-	-	-
Staff Costs	428.89	543.64	371.22	269.67	3.52
Other Manufacturing Expenses	6,141.15	7,245.34	5,539.50	3,427.40	42.33
Administrative Expenses	352.33	343.60	297.34	289.29	3.70
Selling & Distribution Expenses	322.00	528.81	402.14	389.91	0.02
<b>Total Expenditure</b>	<b>114,358.70</b>	<b>109,139.44</b>	<b>60,524.30</b>	<b>36,560.23</b>	<b>215.91</b>
<b>Profit Before Interest, Depreciation Income Tax, Amortisation &amp; Extraordinary Items (A-B)</b>	<b>12,625.75</b>	<b>11,870.20</b>	<b>8,788.67</b>	<b>4,861.22</b>	<b>7.54</b>
Interest	4,492.46	4,559.88	2,209.03	970.31	37.56
Depreciation & Amortisation	504.05	539.34	486.53	429.83	17.52
Miscellaneous Expenditure Written Off	1.81	15.91	14.37	6.88	2.78
<b>Net Profit Before Tax And Extraordinary Items</b>	<b>7,627.43</b>	<b>6,755.07</b>	<b>6,078.74</b>	<b>3,454.20</b>	<b>(50.32)</b>
Provision For Taxation:					
Current Tax	2,387.50	2,513.64	2,165.72	951.73	-
Deferred Tax	130.37	87.35	80.81	322.57	(91.79)
Fringe Benefit Tax	-	8.03	7.32	4.81	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>5,109.56</b>	<b>4,146.05</b>	<b>3,824.89</b>	<b>2,175.09</b>	<b>41.47</b>
Extraordinary Items (Net Of Tax)					
Extraordinary Items (Net Of Tax)	-	-	-	-	-
Net Profit After Extraordinary Items & Prior Period Expenses	5,109.56	4,146.05	3,824.89	2,175.09	41.47
<b>Adjusted Profit</b>	<b>5,109.56</b>	<b>4,146.05</b>	<b>3,824.89</b>	<b>2,175.09</b>	<b>41.47</b>
Add: Balance Brought Forward	9,540.66	6,041.45	2,216.56	41.47	-
Less: Amount apportioned for issue of bonus shares	-	646.84	-	-	-
<b>Balance Carried To Balance Sheet</b>	<b>14,650.22</b>	<b>9,540.66</b>	<b>6,041.45</b>	<b>2,216.56</b>	<b>41.47</b>



## GENERAL INFORMATION

Our Company was originally formed as a partnership firm in the name and style of M/s. Vishal Textile *vide* partnership deed dated April 13, 2005. The name of the firm was changed from M/s. Vishal Textile to M/s. Chetan Textiles *vide* supplementary deed of partnership dated June 15, 2005. Subsequently, M/s. Chetan Textiles was converted into a company under part IX of the Act bearing the name “Chetan Textiles Private Limited” *vide* certificate of incorporation dated June 29, 2005 bearing CIN U17100GJ2005PTC46345. Subsequently, our Company was converted into a public limited company *vide* fresh certificate of incorporation dated August 09, 2006 bearing the name “Chetan Textiles Limited” with CIN U17100GJ2005PLC046345. Pursuant to the Scheme of Demerger, the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) merged into “Chetan Textiles Limited” and consequentially the name “Chetan Textiles Limited” was changed to “Pradip Overseas Limited” *vide* fresh certificate of incorporation dated October 01, 2007.

## PRADIP OVERSEAS LIMITED

### Registered and Corporate Office:

A/601, Narnarayan Complex,  
Near Swastik Cross Roads,  
Navrangpura,  
Ahmedabad - 380 009,  
Gujarat, India.

**Tel:** +91-79-2643 1594

**Fax:** +91-79-2642 0408

**Compliance Officer:** Mr. Kaushik Kapadia

**E-mail:** Investor@pradipoverseas.com

**Website:** www.pradipoverseas.com

**CIN:** U17100GJ2005PLC046345

### Address of our manufacturing unit in Changodar

Plot No. 104/105/106,  
Village: Changodar,  
Sarkhej Bavla Highway,  
Changodar, Taluka Bavla,  
Ahmedabad – 382 213  
Gujarat, India.

### Address of the RoC

RoC Bhavan,  
Opp. Rupal Park Society,  
Behind Ankur Bus Stop,  
Naranpura,  
Ahmedabad – 380 013,  
Gujarat, India.

### Board of Directors

Our Board of Directors as on the date of the Red Herring Prospectus are as follows:

Sr. No	Name	Designation	Nature of Directorship	DIN
1.	Mr. Pradipkumar Karia	Chairman-cum-Managing Director	Executive Director	00123748
2.	Mr. Chetan Karia	Wholetime Director	Executive Director	00191790
3.	Mr. Vishal Karia	Wholetime Director	Executive Director	00514884
4.	Mr. Jivan Singh Negi	Director	Independent Director	01656455



Sr. No	Name	Designation	Nature of Directorship	DIN
5.	Mr. Ramdas Gurpur Kamath	Director	Independent Director	02234255
6.	Mr. Sudhir Jumani	Additional Director	Independent Director	02953771

For further details of our Directors please refer chapters titled “*Our Management*” and “*Our Promoters and their Background*” beginning on pages 132 and 146 of the Red Herring Prospectus.

#### **Company Secretary and Compliance Officer**

Mr. Kaushik Kapadia  
A/601, Narnarayan Complex,  
Near Swastik Cross Roads,  
Navrangpura,  
Ahmedabad – 380 009.  
**Tel:** +91-79-2643 1594  
**Fax:** +91-79-2642 0408  
**E-mail:** Investor@pradipoverseas.com

**Investors are advised to contact the Compliance Officer- Mr. Kaushik Kapadia and / or the Registrar to the Issue in case of any pre-Issue or post-Issue problems such as non-receipt of letters of Allocation, credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders, non receipt of funds by electronic mode etc.**

#### **Bankers to our Company**

##### **Indian Overseas Bank**

Chinubhai Towers,  
Opp. Handloom House,  
Ashram Road  
Ahmedabad - 380 009,  
Gujarat, India.

**Tel:** +91-79-2658 6969 / 2658 9242  
**Fax:** +91-79-2658 7979  
**E-mail:** ashrambr@ahmsco.iobnet.co.in

##### **Allahabad Bank**

S.P. Nagar Branch,  
Ahmedabad - 380 006,  
Gujarat, India.

**Tel:** +91-79-2646 0354  
**Fax:** +91-79-2646 8450  
**E-mail:** allaspnagar@rediffmail.com

##### **Canara Bank**

Bhadra Branch,  
Ahmedabad - 380 001,  
Gujarat, India.

**Tel:** +91-79-2550 9971 / 2550 7535  
**Fax:** +91-79-2550 7736  
**E-mail:** Managermnorth0317@canbank.co.in

##### **Bank of India**

Ahmedabad Corporate Banking Branch,

##### **Union Bank of India**

Industrial Finance Branch,  
C.U. Shah Chambers,  
Nr. Gujarat Vidyapith  
Ashram Road, Ahmedabad - 380 014,  
Gujarat, India.

**Tel:** +91-79-2754 2123  
**Fax:** +91-79-2754 0524  
**E-mail:** ifbahmedabad@unionbankofindia.com

##### **The Karur Vysya Bank Limited**

Motilal Centre,  
Ashram Road,  
Ahmedabad - 380 009,  
Gujarat, India.

**Tel:** +91-79-2754 6704 / 2754 6247  
**Fax:** +91-79-2754 6087  
**E-mail:** ahmedabad@kvbmail.com

##### **State Bank Of India**

Industrial Finance Branch,  
Gujarat Bhavan , Opp. M.J. Library  
Ellisbridge  
Ahmedabad - 380 006,  
Gujarat, India.

**Tel:** +91-79-26583253  
**Fax:** +91-79-26583453  
**E-mail:** sbi.60327@sbi.co.in

##### **Dena Bank**

Industrial Finance Branch,



2<sup>nd</sup> Floor, Bank of India Building,  
Bhadra, Ahmedabad - 380 001,  
Gujarat, India.

**Tel:** +91-79-2538 3654  
**Fax:** +91-79-2539 6193  
**E-mail:** ahmedabadcbb@bankofindia.co.in

**Standard Chartered Bank**

Abhijeet II,  
Mithakali Six Roads,  
Ahmedabad 380 006  
Gujarat , India

**Tel:** +91-79-2646 8322  
**Fax:** +91-79-2646 8302  
**E-mail:** vikas.vohra@in.standardchartered.com

Ahmedabad – 380 009.  
Gujarat, India.

**Tel:** +91-79-26582927  
**Fax:** +91-79-26581654  
**E-mail:** ifbahm@denabank.co.in

**The Lakshmi Vilas Bank Limited**

1<sup>st</sup> floor, Near Old High Court Railway Crossing,  
Navrangpura,  
Ahmedabad 380 014  
Gujarat , India

Tel. no. +91 -79-2643087  
Fax : +91 -79-26563686  
Email :Ahamadabad\_bm@lvbank.in

**Issue Management Team**

***Book Running Lead Manager***

**Anand Rathi Advisors Limited**

11<sup>th</sup> Floor, Times Tower, Kamala City  
Senapati Bapat Marg, Lower Parel,  
Mumbai – 400 013.

**Tel:** +91 22 4047 7000  
**Fax:** +91 22 4047 7070  
**Email:** pol.ipo@rathi.com  
**Website:** www.rathi.com

**Contact Person:** Mr. V. Prashant Rao/ Mr. Gaurav Lohiya  
**SEBI Registration No:** INM000010478

***Registrar to the Issue***

**Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound, LBS Marg  
Bhandup (W)  
Mumbai - 400 078

**Tel:** +91-22-2596 0320  
**Fax:** +91-22-2596 0328-29  
**Toll Free:** 1800-22-0320  
**E-mail:** pradip.ipo@intimespectrum.com

**Website:** www.intimespectrum.com  
**Contact Person:** Mr. Sachin Achar  
**SEBI Registration No.:** INR000003761

***Self Certified Syndicate Banks***

The SCSB's as per updated list available on SEBI's website  
(www.sebi.gov.in)

***Legal Advisors to the Issue***

**M/s. Crawford Bayley & Co.**

Advocates & Solicitors  
State Bank Buildings, 4th floor,  
N. G. N. Vaidya Marg,  
Fort, Mumbai - 400 023,  
Maharashtra, India

**Tel:** +91-22-2266 8000  
**Fax:** +91-22-2266 3978  
**E-mail:** sanjay.asher@crawfordbayley.com

***Bankers To The Issue***

**HDFC Bank Limited**

iThink Technocampus, Level O- 3  
Opposite Crompton Greaves,  
Next to kanjurmarg railway station,  
Kanjurmarg (East)  
Mumbai- 400042

Tel: +91 93242 72185  
**Attention:** Mr. Deepak Rane  
**Axis Bank Limited**

**Standard Chartered Bank**

90, M.G. Road,  
Fort,  
Mumbai 400 001,  
India

**Tel:** +91- 22 – 2269 3955  
**Fax:** +91- 22 – 2209 2216  
**Attention:** Mr. Joseph George  
**ICICI Bank Limited**



E - Wing, 3rd Floor, Maker Towers,  
Cuffe Parade,  
Mumbai - 400005,  
Tel: +91 22 6707 1657  
Fax: +91 22 2215 5157  
**Attention:** Mr. Prashant Fernandes

30, Mumbai Sanchar Marg,  
Raja Bahadur Mansion,  
Fort, Mumbai – 400 001,  
Tel: +91 22 2262 7600  
Fax: +91 22 2261 1138  
**Attention:** Mr. Sidhartha Routray

**Syndicate Member(s)**

**Anand Rathi Advisors Limited**  
11<sup>th</sup> Floor, Times Tower, Kamala City  
Senapati Bapat Marg, Lower Parel,  
Mumbai – 400 013.  
**Tel:** +91 22 4047 7000  
**Fax:** +91 22 4047 7070  
**Email:** pol.ipo@rathi.com  
**Website:** www.rathi.com  
**Contact Person:** Mr. V. Prashant Rao/ Mr. Gaurav Lohiya  
**SEBI Registration No:** INM000010478

**SMC Global Securities Limited**  
11/6B, Shanti Chamber,  
Pusa Road,  
New Delhi – 110 005,  
India  
Tel: +91 11 3011 1000  
Fax: +91 11 2575 4365  
**Attention:** Mr. Rakesh Gupta  
**E-mail:** pradipoverseas@smcindiaonline.com

**Refund Banker(s)**

**HDFC Bank Limited**  
iThink Technocampus, Level O- 3  
Opposite Crompton Greaves,  
Next to kanjurmarg railway station,  
Kanjurmarg (East)  
Mumbai- 400042  
Tel: +91 93242 72185  
**Attention:** Mr. Deepak Rane

**Statutory Auditors**

**Ashok Dhariwal & Company**  
Chartered Accountants  
A/602, Narnarayan Complex,  
Near Swastik Cross Roads,  
Navrangpura, Ahmedabad - 380 009,  
Gujarat, India.  
**Tel:** +91-79-2644 8255  
**Fax:** +91-79-2656 4343  
**E-mail:** ashok@caashokdhariwal.com

**Statement of Inter Se Allocation of Responsibilities amongst BRLM**

Since ARAL is the sole BRLM for the Issue, the entire Issue related activities are handled by ARAL. However, the details of responsibility for ARAL are as follows:

Sr. No.	Activities	Responsibility and Co-ordinator
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments etc.	ARAL
2.	Drafting and Design of the Red Herring Prospectus and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the Red Herring Prospectus.	ARAL
3.	Compliance with the SEBI (ICDR) Regulations, 2009 and other requirements and formalities specified by the RoC, SEBI and Stock Exchanges.	ARAL
4.	Marketing of the issue, which will cover, <i>inter alia</i> , formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres of holding conferences of stock brokers, investors etc. (iii) Banker(s) to the Issue, (iv) collection centres (v) brokers to issue and (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure, and deciding on the quantum of issue material.	ARAL
5.	Selection of various agencies connected with issue, namely Registrar to the Issue, printers and advertising agencies etc.	ARAL
6.	Post-issue activities which shall involve essential follow-up steps, including follow-up with bankers to the issue and SCSBs to get quick estimates of collection and advising our Company about the closure	ARAL





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of the Issue, based on the correct figures, finalisation of basis of allotment or weeding out of multiple applications, listing of instruments, despatch of certificates or demat credit and refunds and coordinating with the various agencies connected with post issue activity such as Registrars to the Issue, Bankers to the Issue, SCSBs.

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### **Credit Rating**

This being an issue of Equity Shares, credit rating is not required.

### **IPO Grading**

This Issue has been graded by ICRA Limited and has been assigned IPO Grade 2 indicating below average fundamentals.

ICRA assigns IPO gradings on a scale of IPO Grade 5 through to IPO Grade 1, with IPO Grade 5 indicating strong fundamentals and IPO Grade 1 indicating poor fundamentals. Attention is drawn to the disclaimer appearing on page no. 210 of this Red Herring Prospectus.

### **Grading Rationale**

The IPO grade assigned by ICRA reflects the established presence of POL as a textile process house, its promoters' experience in the textiles industry, its demonstrated ability to market enhanced capacities in domestic as well as international markets and its healthy order book position. The company is setting up a textile Special Economic Zone (SEZ) near Ahmedabad which could bring in some strategic benefits especially in the exports segment. The grading is, however, constrained by the lower value addition done by the company and business risks arising of POL's limited product diversification, absence of long term contracts with customers, exposure of the textile industry to risks related to changes in government regulations and exposure to raw material price and supply fluctuations besides the high competitive intensity in the industry resulting from high level of fragmentation and competition from neighbouring countries like Pakistan, China and Bangladesh. The grading is also constrained by POL's relatively lower profitability compared to some of the integrated players in the industry, its high financial leverage as indicated by a gearing of 2.5 times as of 31<sup>st</sup> March 2009 and its tight liquidity position. The export sales in company's portfolio are largely indirect; the presence of intermediaries in domestic as well as international market also has led to lower operating profitability. ICRA also notes the project execution risks associated with the development of textile SEZ given that the promoters have no prior experience in any similar project and funding risks associated with the projects in hand as funds are not yet fully tied up.

Over the past four years since its inception in 2005, POL has established itself as a large processing house focused on the niche segment of home linen products-both 'Narrow Width (up to 65" width)' and 'Wider Width (up to 120" width)'. The company processes grey fabric and manufactures home textile made ups like beds-sheets, curtains, comforters, quilts (poly/cotton filled), duvet covers, pillow covers and mattress covers to be sold in domestic as well as international markets. As of 31<sup>st</sup> December 2009, the company had a total installed capacity of 136.5 million meters per annum (MMPA).

In addition to its range of home linen products POL also sells fabric for consumption in local as well as international markets. The operating income also includes income from job works for reputed Indian brands. However, the share of job work income in POL's turnover has consistently declined over the last three years. The company's key markets are India, Europe, USA and Africa. Although export turnover for 2008-09 accounted for around 47.5% of the overall turnover, majority of these were indirect exports through agents of international retailers. In 2008-09 indirect exports was almost 93% of total exports and about 44% of total turnover. Direct exports, constituting less than 5% of revenues in 2008-09, formed a small portion of its operating income. Going forward, POL plans to target direct exports to retailers.

For the past two years, the company has focused on adding wider width linen capacity as this segment attracts premium pricing. The product mix has undergone a change not only in terms of wider and narrow widths but also to include value added products like quilts, duvet covers, comforters and organic cotton products because of which the growth was much higher in relation to incremental capacity addition and capacity utilizations. Also, the company's sales realization on per meter basis has seen an uptrend in last three years. Further, the company plans to focus on moving closer to the consumer by eliminating the trade intermediaries as against its past business model of selling through intermediaries like agents and distributors in domestic as well as international market. This may also lead to higher realizations and hence better profitability. With the aim of achieving this objective, POL launched its brand "Lucy B Linen" in the domestic market in June 2008. The company is also planning to set up wholly owned subsidiaries in Dubai and the USA with an objective to establish strong presence in the international market and have more close relationship with the retailers.



POL's operating income at Rs. 11.74 billion in 2008-09 marked a growth of 77% over the previous year, aided by capacity enhancement and higher capacity utilization. Nevertheless, the company's topline in 2008-09 also included a trading income of Rs. 2.25 billion. POL's operating profitability declined by 300 basis points to 10.0% in 2008-09 on account of significant trading income and also the pushing of sales through discounts because of demand decline especially in the US and Europe. The net profits at Rs. 443.7 million in 2008-09 marked a growth of 14% over the previous year. The low capital intensity of the business has kept the return indicators healthy. In 2008-09 POL's ROCE (Return on Capital Employed) and RONW (Return on Net Worth) were 29% and 42% respectively. Despite healthy accruals from the business and moderate capital expenditure in the past, the company has high gearing on account of high working capital borrowings to support growth. The gearing, interest cover and NCA/Total Debt as on 31st March 2009 were 2.5 times, 2.6 times and 15% respectively. The company has planned substantive capital expenditure over next two years—setting up of a textile SEZ and an expansion unit within the SEZ. The latter is one of the objects of the proposed IPO Issue and has an estimated project cost of around Rs. 2.0 billion including Rs. 1.0 billion towards incremental working capital.

*Recent Results:*

For nine months ended 31<sup>st</sup> December 2009, the company reported an operating income of Rs. 12.18 billion and a net profit of Rs. 511.0 million.

A copy of the report provided by ICRA Limited, furnishing the rationale for its grading is available for inspection at the registered office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

**Trustees**

This being an issue of Equity Shares, the appointment of debenture trustee is not required.

**Monitoring Agency**

As the net proceeds of the Issue will be less than Rs. 50,000 Lacs, under the SEBI (ICDR) Regulations, 2009 it is not required that a monitoring agency be appointed by our Company.

**Project Appraisal**

The Project has been appraised by Dena Bank. The details of the appraising entity are as under:

**Address:** Industrial Finance Branch  
2<sup>nd</sup> Floor, Dena Laxmi Building,  
188-A, Ashram Road,  
Ahmedabad-380009

**Tel. No.:** +91-79-26582927

**Fax No.:** +91-79-26581654

**E-mail:** ifbahm@denabank.co.in

**Book Building Process**

The Book Building Process refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalised after the Bid / Issue Closing Date. The principal parties involved in the Book Building Process are:

- Our Company;
- Book Running Lead Manager, in this case being Anand Rathi Advisors Limited;
- Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. Syndicate members are appointed by the BRLM;
- Registrar to the issue, in this case being Link Intime India Private Limited,
- Banker(s) to the issue, Refund Bank(s), and
- Self Certified Syndicate Banks

SEBI, through its regulations, has permitted the Issue of securities to the public through the 100% Book Building Process. This Issue is being made through a 100% Book Building Process, wherein, subject to valid Bids being received at or above the Issue Price in each of the below categories:



- (i) upto 50% (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs) of the Net Issue to the Public shall be available for Allocation on a proportionate basis to QIBs (of which 5% will be available for Allocation on a proportionate basis to Mutual Funds only, and Mutual Fund Bidders shall also be eligible for proportionate Allocation under the balance portion available for the QIBs);
- (ii) atleast 15% of the Net Issue shall be available for Allocation on a proportionate basis to Non Institutional Bidders;
- (iii) atleast 35% of the Net Issue shall be available for Allocation on a proportionate basis to Retail Individual Bidders;
- (iv) up to 5,00,000 Equity Shares shall be available for Allocation on a proportionate basis to the Eligible Employees;

We will comply with the SEBI (ICDR) Regulations, 2009 for the Issue. In this regard, we have appointed the BRLM and Syndicate Member(s) to procure subscriptions to the Issue.

**QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are required to pay 10% Margin Amount upon submission of their Bid and Allocation to QIBs will be on proportionate basis. For details see the chapter titled “Issue Procedure” beginning on page 221 of the Red Herring Prospectus.**

**All the Bidders (except QIB Bidders) have the option to submit their Bids under the “ASBA Process”, which would entail blocking of funds in the investor’s bank account rather than immediate transfer of funds to the respective Escrow Accounts. For details, refer paragraph titled “Issue Procedure for ASBA Bidders” beginning on page 249 of the Red Herring Prospectus under chapter titled “Issue Procedure”.**

**Illustration of Book Building and Price Discovery Process (Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)**

The bidders can bid at any price within the price band. For instance, assume a price band of Rs. 60 to Rs. 72 per Equity Share, issue size of 5,400 Equity Shares and receipt of five bids from the bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding/issue Period. The illustrative book as set forth below shows the demand for the equity shares of our Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs. 66 in the above example. Our Company, in consultation with the BRLM, will finalise the Issue Price at or below such cut off price, i.e., at or below Rs. 66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for Allocation in the respective category.

The process of Book building under the SEBI (ICDR) Regulations, 2009 is subject to change, from time to time. The ASBA process has been notified *vide* SEBI Circular dated August 28, 2008 and is a new process. Accordingly, investors are advised to make their own judgement about investment through this process of Book Building (including through ASBA process) prior to making a Bid.

**Steps to be taken for bidding:**

1. Check eligibility for making a Bid refer paragraph titled “Who Can Bid” in chapter titled “Issue Procedure” beginning on page 221 of the Red Herring Prospectus;
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form.
3. Ensure that you have mentioned your PAN in the Bid-Cum-Application Form (including ASBA form), unless exempted from mentioning the PAN. For details of exempted entities please refer paragraph titled “Permanent Account Number”, in chapter titled “Issue Procedure” beginning on page 221 of the Red Herring Prospectus.
4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form.



### **Withdrawal of the Issue**

Our Company, in consultation with the BRLM reserves the right not to proceed with the Issue at any time before Allotment in the Issue, without assigning any reason therefore. Notwithstanding the foregoing, the Issue shall also be subject to:

- I. The final listing and trading approvals of the stock exchanges, which our Company shall apply for after Allotment;
- II. The final RoC approval for the Prospectus, after it is filed with the RoC.

### **Bid/Issue Program**

**BID/ISSUE OPENS ON** **Thursday, March 11, 2010**

**BID/ISSUE CLOSES ON** **Monday, March 15, 2010**

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) during the Bidding Period (i) for non-ASBA Bidders, as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form; and (ii) for ASBA Bidders, at any of the Designated Branches of SCSBs; **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 1.00 p.m. (Indian Standard Time)** and uploaded till (i) 4.00 p.m. in case of Bids by QIB Bidders and Non- Institutional Bidders and Eligible Employees bidding in the Employee Reservation Portion where the Bid Amount is in excess of Rs. 1,00,000 and (ii) until 5.00 p.m. or such extended time as permitted by BSE and NSE, in case of Bids by Retail Individual Bidders (including ASBA Bidders) and Eligible Employees where the Bid Amount is up to Rs. 1,00,000. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by BSE and NSE. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids at least one day prior to the Bid/Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, it may lead to some Bids not being uploaded due to lack of sufficient time to upload them. Such Bids that cannot be uploaded will not be considered for Allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday). On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders (including ASBA Bidders) and Eligible Employees after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

In case of discrepancy of data between the Stock Exchanges and the Designated Branches of the SCSBs, the decision of the Registrar to the Issue, in consultation with the BRLM, our Company and the Designated Stock Exchange, based on the physical / electronic records, as the case may be, of the ASBA Bid cum Application Forms shall be final and binding on all concerned. Further, the Registrar to the Issue may ask for rectified data from the SCSB.

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI (ICDR) Regulations, 2009, provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.

**In case of revision in the Price Band, the Issue Period will be extended for three (3) additional days after revision of the Price Band, subject to the Bid/Issue Period not exceeding ten (10) working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the other members of the Syndicate and to the SCSBs.**

### **Underwriting Agreement**

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued in the Issue. Pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with RoC)*



(Rs. in Lacs)

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten
<b>Anand Rathi Advisors Limited</b> 11 <sup>th</sup> Floor, Times Tower, Kamala City Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.  <b>Tel:</b> +91 22 4047 7000 <b>Fax:</b> +91 22 4047 7070 <b>Email:</b> pol.ipo@rathi.com	[●]	[●]
<b>Smc Global Securities Limited</b> 11/6B, Shanti Chamber, Pusa Road, New Delhi – 110 005, India Tel: +91 11 3011 1000 Fax: +91 11 2575 4365 <b>Email:</b> pradipoverseas@smcindiaonline.com	[●]	[●]
<b>Total</b>	[●]	[●]

*The abovementioned amount is indicative and this would be finalised after determination of the Issue Price and actual Allocation of the Equity Shares. The above Underwriting Agreement is dated [●].*

Our Board of Directors and the BRLM (based on a certificate given by the Underwriters), will ascertain the resources of the above mentioned Underwriters to form the opinion that the same are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers. Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure / subscribe to the Equity Shares to the extent of the defaulted amount as specified in the Underwriting Agreement. The underwriting arrangements mentioned above shall not apply to the subscriptions by the ASBA Bidders in this Issue.



## CAPITAL STRUCTURE

Our capital structure, as on the date of the Red Herring Prospectus is as follows:

SR. NO.	NUMBER OF EQUITY SHARES	AGGREGATE NOMINAL VALUE	AGGREGATE VALUE AT ISSUE PRICE
<i>(Amount in Rs.)</i>			
<b>A.</b>	<b>AUTHORISED CAPITAL</b>		
	4,20,00,000 Equity Shares	42,00,00,000	[•]
<b>B.</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL PRIOR TO THE ISSUE</b>		
	2,97,66,770 Equity Shares	29,76,67,700	[•]
<b>C.</b>	<b>ISSUE IN TERMS OF THE RED HERRING PROSPECTUS</b>		
	<b>Issue of</b>		
	1,06,00,000 Equity Shares	10,60,00,000	[•]
	<b>Of which:</b>		
a)	5,00,000 Equity Shares (Employee Reservation Portion) comprising of 1.24% of post-Issue paid up capital of our Company	50,00,000	[•]
b)	1,01,00,000 Equity Shares as Net Issue, comprising of 25.02% of the post-Issue paid up capital of our Company	10,10,00,000	[•]
	<b>Of which:</b>		
(i)	QIB Portion of upto 50,50,000 <sup>#</sup> Equity Shares, being upto 50% of the Net Issue	5,05,00,000	
(ii)	Non-Institutional portion of at least 15,15,000 Equity Shares, being at least 15% of the Net Issue	1,51,50,000	
(iii)	Retail Portion of at least 35,35,000 Equity Shares, being at least 35% of the Net Issue	3,53,50,000	
<b>D.</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL POST ISSUE</b>		
	4,03,66,770 Equity Shares outstanding after the Issue	40,36,67,700	[•]
<b>E.</b>	<b>SECURITIES PREMIUM ACCOUNT</b>		
	Prior to the Issue	Nil	
	Post the Issue*	[•]	[•]

<sup>#</sup> 5% of the QIB portion, i.e.2,52,500 Equity Shares, are available for Allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. Further at least 10% of the Net Issue that is 10,10,000 Equity Shares, has to be Allotted to QIBs, failing which the entire Application monies shall be refunded.

\* The Securities Premium Account after the Issue will be determined after Book Building Process.

The present Issue has been authorised by the Board of Directors in their meeting on June 18, 2008, and by the shareholders of our Company at the Annual General Meeting held on August 18, 2008.



## Details of increase in Authorised Share Capital

SR. NO.	PAPARTICULARS OF INCREASE	DATE OF SHAREHOLDERS' MEETING	AGM/EGM
1.	2,50,000 Equity Shares aggregating to Rs. 25,00,000/-	Incorporation	-
2.	Increase from 2,50,000 Equity Shares aggregating to Rs. 25,00,000 to 20,00,000 Equity Shares aggregating to Rs. 2,00,00,000/-	January 24, 2006	EGM
3.	Increase from 20,00,000 Equity Shares aggregating to Rs. 2,00,00,000/- to 27,50,000 Equity Shares aggregating to Rs. 2,75,00,000/-	March 31, 2006	EGM
4.	Increase from 27,50,000 Equity Shares aggregating to Rs. 2,75,00,000/- to 30,00,000 Equity Shares aggregating to Rs. 3,00,00,000/-	October 25, 2006	EGM
5.	Increase from 30,00,000 Equity Shares aggregating to Rs. 3,00,00,000/- to 1,50,00,000 Equity Shares aggregating to Rs. 15,00,00,000/-	September 14, 2007	EGM
6.	Increase from 1,50,00,000 Equity Shares aggregating to Rs. 15,00,00,000/- to 4,20,00,000 Equity Shares aggregating to Rs. 42,00,00,000/-	August 18, 2008	AGM

### Notes to capital structure

#### 1) Share Capital History of our Company

Date of Allotment of the Equity Shares	No. of Equity Shares	Cumulative Number of Equity Shares	Face Value	Issue Price	Securities Premium (Rs.)	Nature of payment of consideration	Reasons for Allotment	Cumulative Securities Premium Account	Cumulative Paid - up Capital
June 29, 2005	10,000	10,000	10	10	-	Cash	Subscription to Memorandum	-	1,00,000
January 27, 2006	10,00,000	10,10,000	10	40	30	Cash	Further allotment <sup>1</sup>	3,00,00,000	1,01,00,000
March 31, 2006	14,82,500	24,92,500	10	40	30	Cash	Further allotment <sup>2</sup>	7,44,75,000	2,49,25,000
October 26, 2006	3,22,500	28,15,000	10	40	30	Cash	Further allotment <sup>3</sup>	8,41,50,000	2,18,50,000
September 14, 2007	1,20,68,385	1,48,83,385	10	-	-	Other than cash	Scheme of Demerger	8,41,50,000	14,88,33,850
September 01, 2008	1,48,83,385	2,97,66,770	10	-	-	Other than cash	Bonus Issue in the ratio of 1:1	Nil	29,76,67,700

#### Note:

<sup>1</sup>Allotment of Shares in our Company on January 27, 2006 were made to:

Sr. no.	Name of the allottee	No. of shares
1	Mrunal Agency & Financials Private Limited	50,000
2	Kutch Gujarat Finstock Limited	12,500
3	Sonal Cosmetics Exports Limited	62,500
4	Dynachem Pharmaceuticals and Exports Limited	50,000
5	Frontline Biosystems Limited	25,000
6	Ken Securities Limited	1,32,500
7	Bhagat Dyes and Chemicals Pvt. Limited	75,000
8	Genus Commu – Trade Limited	1,25,000



9	Kamli Finstock Limited	25,000
10	Sakira Finlease Private Limited	25,000
11	Suryarath Carry Pack (I) Limited	25,000
12	Talent Infoways Limited	50,000
13	Alpha Chemitrade Limited	25,000
14	Sakira Finance Limited	25,000
15	Mihir Agencies Private Limited	50,000
16	Alliance Intermediates & Network P. Limited	37,500
17	Sarang Chemicals Limited	75,000
18	Navkar Financial Services Private Limited	25,000
19	Richmond Securities Private Limited	45,000
20	Aasiyana Technocast and Scrap Pvt. Ltd.	7,500
21	Avinstar Multilink & Information Systems P. Ltd.	52,500
<b>TOTAL</b>		<b>10,00,000</b>

<sup>2</sup>Allotment of Shares in our Company on March 31, 2006 were made to:

Sr. no.	Name of the allottee	No. of shares
1	Richmond Securities Private Limited	25,000
2	Avinstar Multilink & Information Systems P. Limited	47,500
3	Aasiyana Technocast and Scrap Pvt.Limited	57,500
4	Alembic Securities Private Limited	1,25,000
5	Nexus Software Limited	97,500
6	Samrajya Agro Farms Pvt.Limited	37,500
7	Kajal Agro Farms Private Limited	50,000
8	Medha Projects Limited	62,500
9	Javda India Impex Limited	37,500
10	Bhavi Leasing & Finance Limited	25,000
11	Sarang Chemicals Limited	31,250
12	Mahavir Impex Limited	75,000
13	Lakshya Securities & Credit Holdings Limited	1,25,000
14	Rudra Securities Private Limited	18,750
15	Ankush Holdings Limited	62,500
16	Ficon Shriram Capital Market Limited	62,500
17	Bagrecha Marketing Private Limited	55,000
18	Sarshi Securities Private Limited	30,000
19	Aai Shree Khodiyar Leasing & Finance P.Limited	62,500
20	Talent Infoways Limited	75,000
21	Alliance Intermediates and Net Work Private Limited	62,500
22	Alpha Cheme Trade Agencies Pvt. Ltd.	50,000
23	Sonal Cosmetics Exports Limited	25,000
24	Mihir Agenies Private Limited	37,500
25	Dynachem Pharmaceuticals Exports Limited	12,500
26	Peral Plantations Pvt. Limited	50,000
27	Buniyad Chemicals Limited	57,500
28	Orief Iron & Steel Private Limited	25,000
<b>TOTAL</b>		<b>14,82,500</b>





<sup>3</sup>Allotment of Shares in the Company on October 26, 2006 was made to:

Sr. no.	Name of the allottee	No. of shares
1	Yash V. Jewels Limited	25,000
2	Prabhavi Investment Private Limited	37,500
3	Midas Flexipack Private Limited	8,750
4	Amit Fintrade Limited	8,750
5	Bhavna Investment Private Limited	40,000
7	Dhanvidhya Financial And Investment Private Limited	37,500
8	Genus Commu-Trade Limited	80,000
9	Ken Securities Limited	85,000
<b>TOTAL</b>		<b>3,22,500</b>

## 2) Promoters Contribution and Lock-in:

A. Set forth below are the details of the build up of the Promoters' shareholding, Promoters' contribution and lock-in.

Name of the Promoter	Date on which Equity Shares were allotted and made fully paid up/ transferred	Number of Equity Shares	Face Value (in Rs.)	Issue/ transfer price (in Rs.)	Consideration (cash, bonus, consideration other than cash)	% of pre-Issue paid-up capital	% of post-Issue paid-up capital	Mode of Acquisition	Lock-in period
<b>Mr. Pradipkumar Karia</b>	June 29, 2005	1,500	10	10	Cash	0.01	0.00	Subscription to Memorandum	1 year
	April 09, 2007	8,36,920	10	10	Cash	2.81	2.07	Transfer (Purchase) <sup>1</sup>	1 year
	September 14, 2007	35,72,160	10	-	Other than cash	12.00	8.85	Scheme of Demerger	1 year
	September 20, 2007	1,26,780	10	10	Cash	0.43	0.31	Purchase	1 year
		(9,60,855)	10	10	Cash	(3.23)	(2.38)	Transfer (Sale) <sup>4</sup>	NA
	July 11, 2008	1,27,433	10	10	-	0.43	0.32	Transposition	1 year
	September 01, 2008	27,71,852	10	10	Other than Cash	9.31	6.87	Bonus	3 years
9,32,086		10	10	Other than Cash	3.13	2.31	Bonus	1 year	
<b>Sub Total (A)</b>		<b>74,07,876</b>	-	-	-	<b>24.89</b>	<b>18.35</b>	-	-
<b>Chetan Karia</b>	June 29, 2005	1,500	10	10	Cash	0.01	0.00	Subscription to Memorandum	1 year
	April 09,	8,36,920	10	10	Cash	2.81	2.07	Transfer	1 year



Name of the Promoter	Date on which Equity Shares were allotted and made fully paid up/ transferred	Number of Equity Shares	Face Value (in Rs.)	Issue/ transfer price (in Rs.)	Consideration (cash, bonus, consideration other than cash)	% of pre-Issue paid-up capital	% of post-Issue paid-up capital	Mode of Acquisition	Lock-in period
	2007							(Purchase) <sup>2</sup>	
	September 14, 2007	35,72,160	10	-	Other than cash	12.00	8.85	Scheme of Demerger	1 year
	September 20, 2007	(8,34,075)	10	10	Cash	(2.80)	(2.07)	Transfer (Sale) <sup>4</sup>	1 year
	July 11, 2008	1,27,432	10	10	-	0.43	0.32	Transposition	1 year
	September 01, 2008	27,71,852	10	10	Other than cash	9.31	6.87	Bonus	3 years
		9,32,085	10	10	Other than cash	3.13	2.31	Bonus	1 year
<b>Sub- Total (B)</b>		<b>74,07,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24.89</b>	<b>18.35</b>		
<b>Mr. Vishal Karia</b>	29-Jun-05	1,500	10	10	Cash	0.01	0.00	Subscription to Memorandum	1 year
	09-Apr-07	3,17,010	10	10	Cash	1.06	0.79	Transfer (Purchase) <sup>3</sup>	1 year
	14-Sep-07	9,85,877	10	-	Other than cash	3.31	2.44	Scheme of Demerger	3 years
		4,81,588	10	-	Other than cash	1.62	1.19	Scheme of Demerger	1 year
	01-Sep-08	17,85,975	10	10	Other than cash	6.00	4.42	Bonus	3 years
<b>Sub- Total (C)</b>		<b>3,571,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.00</b>	<b>8.85</b>		
<b>Total (A+B+C)</b>		<b>1,83,87,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61.78</b>	<b>45.55</b>		

<sup>1</sup>Details of shares purchased on April 09, 2007 by Mr. Pradip Karia:

Name of the transferor	No. of Shares
Talent Infoways Limited	1,25,000
Alpha Cheme Trade Agencies Pvt. Limited	75,000
Mihir Agencies Private Limited	79,420
Mahavir Impex Limited	75,000
Lakshya Securities & Credit Holdings Ltd.	1,25,000
Avinstar Multilink & Information Systems P. Ltd.	1,00,000



<b>Name of the transferor</b>	<b>No. of Shares</b>
Alembic Securities Private Limited	1,25,000
Ken Securities Limited	1,32,500
<b>TOTAL</b>	<b>8,36,920</b>

<sup>2</sup>Details of shares purchased on April 09, 2007 by Mr. Chetan Karia:

<b>Name of the transferor</b>	<b>No. of Shares</b>
Kutch Gujarat Finstock Limited	490
Sonal Cosmetics Exports Limited	87,500
Alliance Intermediates & Network P. Ltd.	1,00,000
Dynachem Pharmaceuticals and Exports Ltd.	62,500
Navkar Financial Services Private Limited	25,000
Buniyad Chemicals Ltd.	57,500
Orief Iron and Steel Private Limited	25,000
Frontline Biosystems Limited	25,000
Mrunal Agency & Financials Private Limited	28,930
Samrajya Agro Farms Pvt. Ltd.	37,500
Medha Projects Limited	62,500
Javda India Impex Limited	37,500
Ankush Holdings Limited	62,500
Bagrecha Marketing Private Limited	55,000
Aai Shree Khodiyar Leasing & Finance P. Ltd.	62,500
Richmond Securities Private Limited	25,000
Nexus Software Limited	52,500
Bhagat Dyes and Chemicals Pvt. Ltd.	30,000
<b>TOTAL</b>	<b>8,36,920</b>

<sup>3</sup>Details of shares purchased on April 09, 2007 by Mr. Vishal Karia:

<b>Name of the transferor</b>	<b>No. of Shares</b>
Kutch Gujarat Finstock Limited	12,010
Kajal Agro Farms Private Limited	50,000
Kamali Finstock Limited	25,000
Suryarath Carry Pack (I) Limited	25,000
Sarang Chemicals Limited	1,06,250
Rudra Securities Private Limited	18,750
Genus Commu – Trade Limited	80,000
<b>TOTAL</b>	<b>3,17,010</b>

<sup>4</sup>Details of the shares sold by our Promoters of POL on September 20, 2007

<b>Name of Promoter</b>	<b>No. of shares</b>	<b>Name of purchaser</b>
Pradip Karia	9,60,855	Pradip Petrofils Private Limited
Chetan Karia	7,07,295	Pradip Petrofils Private Limited
Chetan Karia	1,26,780	Pradip Karia

As per clause (a) sub-regulation (1) Regulation 32 of the SEBI (ICDR) Regulations, 2009, and in terms of the aforesaid table, the below mentioned Equity Shares, held by the Promoters, as per sub-regulation (a) of Regulation 36 of SEBI (ICDR) Regulations, 2009, shall be locked in for a period of 3 years from the date of Allotment:



Sr. No.	Name	Total Number of Equity Shares	% of Post Issue Paid-up Capital
1	Mr. Pradipkumar Karia	27,71,852	6.87%
2	Mr. Chetan Karia	27,71,852	6.87%
3	Mr. Vishal Karia	27,71,852	6.87%
	<b>Total</b>	<b>83,15,556</b>	<b>20.61%</b>

**Note:** The lock-in period shall commence from the date of Allotment of Equity Shares in the Issue.

Specific written consent has been obtained from Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia whose Equity Shares form part of Promoters' contribution, to lock-in their Equity Shares for a period of three years to ensure minimum Promoter's contribution to the extent of 20% of the post-Issue paid-up capital of our Company.

Our Promoters, Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia have agreed to lock in 83,15,556 Equity Shares for a period of three years. All the Equity Shares which have been locked-in are not ineligible for computation of Promoters' contribution under Regulation 33 of the SEBI (ICDR) Regulations, 2009.

Other than the Equity Shares locked-in as Promoter's contribution for a period of three years as stated in the table above, the entire pre-Issue capital of our Company as per Regulation 37 of the SEBI (ICDR) Regulations, 2009 shall be locked in for a period of 1 year from the date of Allotment of Equity Shares in the Issue.

- 3) We confirm that the minimum Promoters' contribution of 20% of the post-Issue Capital, which is subject to lock-in for three years does not consist of :
- (a) Equity Shares acquired three years before the filing of the Draft Red Herring Prospectus with SEBI for consideration other than cash and revaluation of assets or capitalisation of intangible assets, involved in such transactions or resulting from a bonus issue by utilization of revaluation reserves or unrealised profits of our Company or from bonus issue against Equity Shares which are ineligible for minimum Promoters' contribution.
  - (b) Securities acquired by our Promoters during the preceding one year, at a price lower than the price at which Equity Shares are being offered to the public in the Issue.
  - (c) Equity Shares issued to our Promoters on conversion of partnership firms into limited company.
  - (d) Pledged Equity Shares held by our Promoters.

In terms of undertaking executed by our Promoters, Equity Shares forming part of Promoter's contribution subject to lock in will not be disposed/ sold/ transferred by our Promoters during the period starting from the date of filing of the Draft Red Herring Prospectus with SEBI till the date of commencement of lock in period as stated in the Red Herring Prospectus.

- 4) In terms of Regulation 40 of the SEBI (ICDR) Regulations, 2009, the Equity Shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable. The Equity Shares to be held by the Promoters within the lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoters, which are locked in, may be transferred to and among Promoters / Promoter Group or to new promoter(s) or persons in control of our Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable.
- 5) An over-subscription to the extent of 10% of the Net Issue can be retained for the purpose of rounding off to the nearer multiple of 1, while finalising the Basis of Allotment. Consequently, the actual Allotment may go up by a maximum of 10% of the Issue, as a result of which, the post-Issue paid up capital after the Issue would also increase by the excess amount of Allotment so made. In such an event, the Equity Shares held by our Promoters and subject to lock- in shall be suitably increased; so as to ensure that 20% of the post Issue paid-up capital is locked in.
- 6) Equity Shares offered through Issue shall be made fully paid up on Application.



7) The Equity Shares, which are subjected to lock-in, shall carry the inscription “non-transferable” and the non transferability details shall be informed to the depository. The details of lock-in shall also be provided to the Stock Exchanges before the listing of the Equity Shares (only in case of shares held in physical form).

8) Our Company, our Promoters, our Directors and the BRLM have not entered into any buy back or standby or similar arrangements for the purchase of Equity Shares being offered through this Issue from any person.

a) Top ten shareholders as on the date of filing of the Red Herring Prospectus with RoC:\*

Sr. No.	Name of Shareholder	Number of Equity Shares held	Percentage of pre-issue paid up capital
1.	Mr.Pradipkumar Karia	74,07,876	24.89
2.	Mr.Chetan Karia	74,07,874	24.89
3.	Pradip Petrofils Private Limited	38,96,800	13.09
4.	Mr.Vishal Karia	35,71,950	12.00
5.	Mr. Pritesh Karia	9,91,140	3.33
6.	Mr. Bakul Karia	9,77,840	3.29
7.	Mrs.Manjula Karia	5,14,720	1.73
8. a)	Mrs.Amita Karia	5,09,720	1.71
	b) Mrs. Jayshree Karia	5,09,720	1.71
	c) Mrs. Meena Karia	5,09,720	1.71
	d) Mrs.Rupa Karia	5,09,720	1.71
	e) Mrs.Sona Karia	5,09,720	1.71
	<b>TOTAL</b>	<b>2,73,16,800</b>	<b>91.77</b>

\* - As per beneficiary position on February 12, 2010.

b) Top ten shareholders as on ten days prior to filing of the Red Herring Prospectus with RoC:\*

Sr. No.	Name of Shareholder	Number of Equity Shares held	Percentage of pre-issue paid up capital
1.	Mr.Pradipkumar Karia	74,07,876	24.89
2.	Mr.Chetan Karia	74,07,874	24.89
3.	Pradip Petrofils Private Limited	38,96,800	13.09
4.	Mr. Vishal Karia	35,71,950	12.00
5.	Mr.Pritesh Karia	9,91,140	3.33
6.	Mr.Bakul Karia	9,77,840	3.29
7.	Mrs.Manjula Karia	5,14,720	1.73
8. a)	Mrs.Amita Karia	5,09,720	1.71
	b) Mrs. Jayshree Karia	5,09,720	1.71
	c) Mrs. Meena Karia	5,09,720	1.71
	d) Mrs.Rupa Karia	5,09,720	1.71
	e) Mrs.Sona Karia	5,09,720	1.71
	<b>TOTAL</b>	<b>2,73,16,800</b>	<b>91.77</b>

\* - As per beneficiary position on February 12, 2010.

c) Top ten shareholders as on two years prior to filing of the Red Herring Prospectus with RoC:

Sr. No.	Name of Shareholder	Number of Equity Shares held	Percentage
1.	Mr. Pradipkumar Karia	35,76,505	24.03
1a	Mr. Chetan Karia	35,76,505	24.03
2.	Pradip Petrofils pvt. Ltd.	19,48,400	13.09



Sr. No.	Name of Shareholder	Number of Equity Shares held	Percentage
3.	Vishal R. Karia	17,85,975	12.00
4.	Mr. Pritesh Karia	4,95,570	3.33
5.	Mr. Bakul Karia	4,88,920	3.29
6.	Manjula Karia	2,57,360	1.73
7.	a. Jayshreeben Karia	2,54,860	1.71
	b. Meenaben Karia	2,54,860	1.71
	c. Amitaben Karia	2,54,860	1.71
	d. Roopaben karia	2,54,860	1.71
	e. Sonaben Karia	2,54,860	1.71
	f. Amit H. Thakkar	2,54,860	1.71
8.	a. Vijay Salhekar	2,54,845	1.71
	b. Dipex Modi	2,54,845	1.71
	c. Anil Agrawal	2,54,845	1.71
9	Ramesh Karia	2,05,590	1.38
10.	Kantilal Karia & Pradip Karia	127433	0.86
	<b>TOTAL</b>	<b>1,47,55,953</b>	<b>99.13</b>

#### 9) Shareholding Pattern of our Company

Sr. No.	Particulars	Pre Issue		Post Issue	
		Pre – Issue No. of Equity Shares	% Holding	Post-Issue No. of Equity Shares	% Holding
<b>a)</b>	<b>Promoters</b>				
i.	Mr. Pradipkumar Karia	74,07,876	24.89%	74,07,876	18.35%
ii.	Mr. Chetan Karia	7,407,874	24.89%	74,07,874	18.35%
iii.	Mr. Vishal Karia	35,71,950	12.00%	35,71,950	8.85%
	<b>Sub-total (a)</b>	<b>183,87,700</b>	<b>61.78%</b>	<b>1,83,87,700</b>	<b>45.55%</b>
i.					
<b>b)</b>	<b>Promoter Group</b>				
i.	Manjula Karia	5,14,720	1.73%	5,14,720	1.28%
ii.	RameshKumar Karia	4,11,180	1.38%	4,11,180	1.02%
iii.	Bakul Karia	9,77,840	3.29%	9,77,840	2.42%
iv.	Pritesh Karia	9,91,140	3.34%	9,91,140	2.46%
v.	Jayshree Karia	5,09,720	1.71%	5,09,720	1.26%
vi.	Meena Karia	5,09,720	1.71%	5,09,720	1.26%
vii.	Amita Karia	5,09,720	1.71%	5,09,720	1.26%
viii.	Rupa Karia	5,09,720	1.71%	5,09,720	1.26%
ix.	Sona Karia	5,09,720	1.71%	5,09,720	1.26%
	<b>Sub-total (c)</b>	<b>54,43,480</b>	<b>18.29%</b>	<b>54,43,480</b>	<b>13.48%</b>
	<b>Total Promoter and promoter group (a+b)</b>	<b>2,38,31,180</b>	<b>80.06%</b>	<b>2,38,31,180</b>	<b>59.03%</b>
<b>c)</b>	<b>Others*</b>				
i.	Vijay Salhekar	4,34,690	1.45%	4,34,690	1.08%
ii.	Dinesh Patel	1,00,000	0.34%	1,00,000	0.25%
iii.	Shyamal Thakkar	2,00,000	0.67%	2,00,000	0.50%
iv.	Aniket Shah and Nita Shah	1,50,000	0.50%	1,50,000	0.37%



Sr. No.	Particulars	Pre Issue		Post Issue	
v.	Harit Dhariwal	20,000	0.07%	20,000	0.05%
vi.	Jivan Singh Negi and Sangita Singh Negi	1,50,000	0.50%	75,000	0.18%
vii.	Pradip Petrofils Private Limited	38,96,800	13.09%	38,96,800	9.65%
viii.	Indian Public	-	0.00%	1,01,00,000	25.02%
	<b>Sub Total (c)</b>		<b>16.63%</b>		
		<b>49,51,490</b>		<b>1,50,51,490</b>	<b>37.29%</b>
<b>d)</b>	<b>Employees*</b>				
i.	Amit Thakkar	4,34,720	1.47%	4,34,720	1.08%
ii.	Anil Agarwal	3,34,690	1.12%	3,34,690	0.83%
iii.	Dipex Modi	2,14,690	0.72%	2,14,690	0.53%
iv.	Employee reservation	-	0.00%	5,00,000	1.24%
	<b>Sub-total (d)</b>	<b>9,84,100</b>	<b>3.31%</b>	<b>14,84,100</b>	<b>3.68%</b>
	<b>Total (a+b+c+d)</b>	<b>2,97,66,770</b>	<b>100%</b>	<b>4,03,66,770</b>	<b>100%</b>

\* The post Issue shareholding in respect of employees and shareholders other than the Promoters / Promoters Group may undergo a change in case they are Allotted Equity Shares in the Issue.

- 10) Our Promoters, Promoter Group and Directors have not purchased, sold; or financed the purchase or sale any securities of our Company in past 6 months preceding the date of filing the Red Herring Prospectus with SEBI.
- 11) Our Promoters may pledge the locked-in-Equity Shares only with banks or financial institutions as collateral security for loans granted by such banks /financial institutions, provided the pledge of Equity Shares is one of the terms for the sanction of loans, provided that locked-in Equity Shares may be pledged only in relation to loans from such banks/financial institutions for the purpose of financing one or more of the objects of the Issue.
- 12) We have neither revalued our assets nor issued any shares out of revaluation reserves since incorporation.
- 13) Our Company has not raised any bridge loan against the proceeds of the Issue.
- 14) In the case of over-subscription in all categories, upto 5,00,000 Equity Shares shall be available for Allocation on a proportionate basis to Eligible Employees in the Employee Reservation Portion, upto 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. If at least 10% of the Net Issue cannot be Allotted to QIBs, the entire application monies shall be refunded forthwith. Further, at least 15% of the Net Issue shall be available for Allocation on a proportionate basis to Non Institutional Bidders and atleast 35% of the Net Issue shall be available for Allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
- 15) Only Eligible Employees (as defined in the section titled “*Definitions and Abbreviations*” beginning on page 2 of the Red Herring Prospectus) would be eligible to apply in the Issue under the Employee Reservation Portion on competitive basis. Eligible Employees can also Bid in the “Net Issue to the Public” portion and the same shall not be treated as multiple Bids. In case of under-subscription in the Employee Reservation Portion, the same would be allowed to be met with spillover *inter-se* from the any other categories, at the sole discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange, subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs on a proportionate basis. In case of under-subscription in the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs), spillover to the extent of under subscription shall be permitted from the Employee Reservation Portion at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Such *inter-se* spillover, if any, would be effected in accordance with applicable laws, rules, regulations and guidelines.
- 16) The Equity Shares are fully paid up and there are no partly paid up Equity Shares as on date.



17) Our Company has not issued any Equity Shares for consideration other than cash except as follows:

Date of Allotment of the Equity Shares	No. of Equity Shares	Nature of payment of consideration	Reasons for Allotment
September 14, 2007*	1,20,68,385	Other than cash	Scheme of Demerger
September 01, 2008**	1,48,83,385	Other than cash	Bonus Issue

*\*Following are the names of the Shareholders to whom shares were allotted at the time of demerger:*

Sr. No.	Name of the Shareholders	Number of Shares Allotted
1.	Pradip Karia	35,72,160
2.	Chetan Karia	35,72,160
3.	Vishal Karia	14,67,465
4.	Kantilal Karia	2,04,315
5.	Manjulaben Karia	2,05,815
6.	Rameshkumar Karia	3,99,060
7.	Bakul Karia	4,02,060
8.	Pritesh Karia	4,06,560
9.	Jayshreeben Karia	2,04,315
10.	Meenaben Karia	2,04,315
11.	Amitaben Karia	2,04,315
12.	Rupaben Karia	2,04,315
13.	Sonaben Karia	2,04,315
14.	Amit Thakkar	2,04,315
15.	Vijay Salhekar	2,04,300
16.	Anil Agrawal	2,04,300
17.	Dipex Modi	2,04,300
	<b>TOTAL</b>	<b>1,20,68,385</b>

*\*\*Following are the names of the Shareholders to whom Bonus Issue was made:*

Sr. No.	Name of the Shareholders	Number of Shares Allotted
1.	Pradip Karia	37,03,938
2.	Chetan Karia	37,03,987
3.	Vishal Karia	17,85,975
4.	Manjulaben Karia	2,57,360
5.	Rameshkumar Karia	2,05,590
6.	Bakulbhai Karia	4,88,920
7.	Pritesh Karia	4,95,570
8.	Jayshreeben Karia	2,54,860
9.	Meenaben Karia	2,54,860
10.	Amitaben Karia	2,54,860
11.	Rupaben Karia	2,54,860
12.	Sonaben Karia	2,54,860
13.	Amit Thakkar	2,17,360
14.	Vijay Salhekar	2,54,845
15.	Anil Agrawal	1,67,345
16.	Dipex Modi	1,07,345
17.	Pradip Petrofils Private limited	19,48,400
18.	Jivan Singh Negi & Sangita Singh Negi	37,500
19.	Nipam Shah and Nita Shah	75,000





Sr. No.	Name of the Shareholders	Number of Shares Allotted
20.	Dinesh Muljibhai Patel	50,000
21.	Harit Dhariwal	10,000
22.	Shyamal Thakkar	1,00,000
<b>TOTAL</b>		<b>1,48,83,385</b>

*Note: The bonus was issued in the ratio of 1:1*

- 18) There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing the Red Herring Prospectus with SEBI until the Equity Shares issued / proposed to be issued pursuant to the Issue have been listed.
- 19) We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, except that if we enter into acquisition(s) or joint venture(s), we may consider additional capital to fund such activities or to use Equity Shares as a currency for acquisition or participation in such joint ventures.
- 20) As per the extant policy, OCBs are not permitted to participate in the Issue. Sub accounts of FIIs who are foreign corporates or foreign individuals are not QIBs, and hence cannot Bid in the QIB Portion in the Issue.
- 21) Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any Equity Shares to our employees under ESOS/ESPS scheme from the proposed Issue.
- 22) As on date of the Red Herring Prospectus there are no outstanding warrants, options or rights to convert debentures loans or other financial instruments into our Equity Shares.
- 23) There shall be only one denomination of Equity Shares of our Company unless otherwise permitted by law. Our Company shall comply with disclosure and accounting norms as may be prescribed by SEBI from time to time
- 24) A Bidder cannot make a Bid for more than the number of Equity Shares offered to the public through the Issue, subject to maximum limit of investment prescribed under relevant laws applicable to each category of investors.
- 25) Our Company has 22 shareholders (excluding joint shareholdings) as on February 12, 2010. While 49,21,240 Equity Shares are held in physical form while 2,48,45,530 are held in demat form as on February 12, 2010.
- 26) Our Company has not made any public or rights issue of any class or kinds of securities since its incorporation.
- 27) We have availed of several loans and financial facilities from the various banks and financial institutions, namely Indian Overseas Bank, Canara Bank, Union Bank of India, Bank of India, Allahabad Bank, The Karur Vysya Bank Limited, State Bank of India, Standard Chartered Bank Limited, Dena Bank and Laxmi Vilas Bank. In respect of various agreements entered into by our Company with our lenders and sanction letters issued by our lenders to us, we are bound by certain restrictive covenants, including those in relation to our capital structure. For further details on the restrictive covenants contained in the various financing documents, please see chapter titled “*Restrictive Covenants in Loan Agreements*” beginning on page 190 of the Red Herring Prospectus.
- 28) No payment, direct or indirect, in the nature of discount, allowance, commission or otherwise, shall be made either by us or our Promoters to the persons who receives Allotments, if any, in this Issue.



## OBJECTS OF THE ISSUE

We intend to deploy the proceeds from the Issue as under:

1. To part finance the setting up the Proposed Manufacturing Facility within the Proposed Textile SEZ;
2. To part finance the incremental margin money requirement for working capital;
3. To meet Issue expenses.

We further intend to achieve the benefits of listing by listing the Equity Shares of our Company on the Stock Exchanges.

The main objects clause of our Memorandum of Association enables us to undertake the activities proposed pursuant to the objects of the Issue, for which the funds are being raised pursuant to this Issue. Our existing activities are within the ambit of the objects clause of the Memorandum of Association of our Company.

### FUND REQUIREMENTS

The fund requirements for each of the objects as per the Appraisal Report are as follows:

Sr. No.	Description	(Rs. In Lacs) Amount
1.	To part finance the setting up the Proposed Manufacturing Facility within the Proposed Textile SEZ*	9,995.00
2.	To part finance the incremental margin money requirement for working capital	9,995.00
3.	To meet Issue expenses.	[•]**
<b>Total</b>		<b>[•]**</b>

\* Includes equity raising charges of Rs. 105 Lacs. Issue expenses in excess of Rs. 105 Lacs would be accounted for under the head "Issue Expenses"

\*\* Will be incorporated at the time of filing Prospectus with the RoC.

### MEANS OF FINANCE

The above-mentioned fund requirements will be met from Issue proceeds, term loans from banks and internal accruals.

The proposed means of finance are as under:-

Sr. No.	Description	(Rs. In Lacs) Amount
1.	Issue proceeds	[•]
2.	Term Loan	
	a) Dena Bank <i>vide</i> sanction letter dated September 23, 2008	2,500.00
	b) State Bank of India <i>vide</i> sanction letter dated October 08, 2008*	1,600.00
	c) Allahabad Bank <i>vide</i> sanction letter dated August 24, 2009	2,400.00
3.	Internal accruals	[•]
<b>Total</b>		<b>[•]</b>

\* - The current sanction by the State Bank of India is under revalidation.

As per our audited financial statements, internal accruals as on the December 31, 2009 is Rs. 5,516.23 lacs, as certified by our Statutory Auditors M/s. Ashok Dhariwal & Company, Chartered Accountants, *vide* their certificates dated February 15, 2010.

We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the proposed Issue, have been made.

The assessment of fund requirement is based on the Appraisal Report of Dena Bank dated September 11, 2008 and Re-Appraisal report dated August 18, 2009. The actual costs would depend upon the negotiated prices with the suppliers/contractors and may vary from the above estimates. Our business, by its very nature, is dynamic and competitive in nature, which may necessitate changes in



our business plan to avail of new opportunities or to meet competitive threats, including those that we may not currently envisage. The changes, if any, in our business plan, shall be made keeping in mind investor's interest.

In case of shortfall in the Issue proceeds or debt to meet the aforesaid objects of the Issue, we propose to meet the same through our internal accruals.

In case of any variations in the actual utilisation of funds earmarked for the above activities, increased fund deployment for a particular activity may be met by surplus funds, if any available in the other activities, or from internal accruals, debt or equity.

The balance proceeds of the Issue, if any, will be used for general corporate purposes and any other purpose as may be approved by our Board of Directors.

No part of the Issue proceeds is currently intended to be paid as consideration to our Promoters, Directors or Entities Promoted by our Promoters.

#### **APPRAISAL**

Our Project has been appraised by Dena Bank in relation to proposal no. DCC/CAD/1532/2008 dated September 11, 2008. The scope and purpose of the appraisal as stated in the Appraisal Report is as follows:

- i. Review of fund based working capital limit of Rs. 1600 Lacs and non-fund-based limit of Rs. 800 Lacs under consortium led by Indian Overseas Bank;
- ii. Fresh sanction of term loan of Rs. 2500 Lacs for expansion project, Unit II at village Bhamsara under proposed consortium arrangement;
- iii. Review of suppliers bills discounting under letter of credit limit of Rs. 1500 Lacs with modification in terms;
- iv. Continuation of changing rate of interest at BPLR in line with consortium leader against applicable rate of BPLR+1.75% (inclusive of term *premia* in case of term loan);
- v. Approval of deviation for NIL collateral security for term loan against bank's norms of 10-20% and TDER at 3.83 in 2007-08 against bank norms of 3.50;
- vi. Approval for issuance of NOC and consent letter for proposed Initial Public Offer (IPO); and
- vii. Approval for providing appraisal note to BRLM for IPO.

#### **Notes:**

1. As per the Appraisal Report, the equity component for the aforesaid objects of the Issue is estimated at Rs. 10,000 Lacs, and internal accruals to fund the objects of the Issue have been estimated at Rs. 3490 Lacs. However, the Issue Price and hence the Issue Proceeds would be determined only after the completion of the Issue, and may be above or below Rs. 10,000 Lacs.
2. We shall ensure that the shortfall, if any, is tied-up in the following manner:
  - a) Prior to filing the Red Herring Prospectus with RoC, based on lower end of the Price Band, at least 75% of the shortfall would be tied up; and
  - b) Prior to filing the Prospectus with the RoC, based on the Issue Price, at least 75% of the shortfall would be tied up.
3. This shortfall may be tied-up by way of internal accruals.

The scope and purpose of the appraisal as stated in the Re-Appraisal Report is as follows:

- i. Renewal of fund based working capital limit of Rs. 1600 Lacs and non-fund-based limit of Rs. 800 Lacs under consortium led by Indian Overseas Bank;
- ii. Revalidation of term loan of Rs. 2500 Lacs for expansion project, Unit II at village Bhamsara under proposed consortium arrangement;
- iii. Discontinuation of suppliers bills discounting under letter of credit limit of Rs. 1500 Lacs.
- iv. Continuation of changing rate of interest at BPLR in line with consortium leader against applicable rate of BPLR+2% (inclusive of term *premia* in case of term loan);
- v. Approval of deviation for NIL collateral security for term loan against bank's norms of 10-20%
- vi. Approval of TDER at 3.83 in 2007-08, 4.30 in 2008-09 against bank norms of 3.50;
- vii. Revalidation for issuance of NOC and consent letter for proposed Initial Public Offer (IPO); and



viii. Approval for providing appraisal note to Lead Manager for IPO.

### 1. Dena Bank

Dena Bank has sanctioned a term loan of Rs. 2500 Lacs *vide* sanction letter dated September 23, 2008 and September 08, 2009. The terms and conditions of the sanction are summarised hereinbelow:

Particulars	Earlier Terms & Conditions	Revised Terms & Conditions
<b>Amount of Loan</b>	Rs. 2,500 Lacs	Rs. 2,500 Lacs
<b>Rate of Interest</b>	Interest to be charged at BPLR i.e. 14.25 % per annum inclusive of term premia at present, subject to change from time to time.	Interest to be charged at BPLR i.e. 12.50 % per annum inclusive of term premia at present, subject to change from time to time.
<b>Assets charged as security</b>	Assets charged as security consists of primary security of properties belonging to our Company and collateral security, both belonging to our Company and otherwise. Primary security consists of hypothecation charge on stock, debtors, current assets, plant and machinery both current and to be purchased in the Project aggregating to Rs. 5705 Lacs on a <i>pari passu</i> basis, equitable mortgage of certain immovable properties on <i>pari passu</i> basis. Collateral security of properties belonging to our Company provides for second <i>pari passu</i> charge on certain immovable properties of our Company.	Assets charged as security consists of primary security of properties belonging to our Company and collateral security, both belonging to our Company and otherwise. Primary security consists of hypothecation charge on stock, debtors, current assets, plant and machinery both current and to be purchased in the Project aggregating to Rs. 5705 Lacs on a <i>pari passu</i> basis, equitable mortgage of certain immovable properties on <i>pari passu</i> basis. Collateral security of properties belonging to our Company provides for second <i>pari passu</i> charge on certain immovable properties of our Company.
<b>Repayment</b>	Term loan to be repaid within 72 monthly instalments. First instalment becomes due in April 2010.	Term loan to be repaid within 72 months inclusive of 6 months Moratorium by monthly instalments of Rs. 34.72 lacs instalments. First instalment becomes due in April 2011. Interest to be recovered as and when debited to the loan account.

#### Other Important Covenants:

1. Term loan against building shall be disbursed in suitable instalments after execution of stand alone documents and as per terms of sanction so as to link the last disbursements with the completion of the building.
2. Loan against plant and machinery shall be disbursed on execution of stand alone documents.
3. Joint documents to be executed by our Company under common seal along with board resolution for working capital facilities and individual documents to be executed for term loan.
4. During the currency of bank's facilities, our Company shall not, without the bank's consent:
  - a. Effect any change in its capital structure,
  - b. Formulate any scheme of amalgamation and reconstruction,
  - c. Invest by way of share capital in or lend or advance funds to or place deposits with any other concern,
  - d. Give any corporate guarantee to any bank or financial institution,
  - e. Enter into borrowing arrangement whether secured or unsecured with any other bank / financial institution / company or otherwise,
  - f. Declare dividend for any year except out of profits relating to that year after making all necessary provisions and provided further that no default had occurred in any repayment obligation,
  - g. Allow withdrawal of monies brought in by principal shareholders/directors,
  - h. Make any drastic change in the management set up.

### 2. State Bank of India

State Bank of India has sanctioned a term loan of Rs. 1600 Lacs *vide* sanction letter dated October 08, 2008. The sanction was further extended by the State Bank of India *vide* their letter dated July 18, 2009 for a period of six months ending on January 17, 2010. The current sanction is under revalidation. The terms and conditions of the sanction are summarised hereinbelow:



Particulars	Earlier Terms & Conditions	Revised Terms & Conditions
<b>Amount of Loan</b>	Rs. 1,600 Lacs	Rs. 1,600 Lacs
<b>Purpose</b>	To part finance the capacity expansion plans by setting up the Proposed Manufacturing Facility near Ahmedabad within the Proposed Textile SEZ	To part finance the capacity expansion plans by setting up the Proposed Manufacturing Facility near Ahmedabad within the Proposed Textile SEZ
<b>Margin</b>	67.48%	67.48%
<b>Rate of Interest</b>	0.50% above SBAR i.e. 14.25% per annum with reset option every year.	0.50% above SBAR, for revalidated RTL (against applicable pricing of 2.50% above SBAR) with biennial reset option
<b>Validity of sanction</b>	6 months from the date of sanction.	6 months from the date of sanction.
<b>Assets charged as security</b>	Assets charged as security consists of primary security of properties belonging to our Company and collateral security, both belonging to our Company and others. Primary security consists of first <i>pari passu</i> charge on the factory, land, building, plant and machinery along with the consortium members. Collateral security of properties belonging to our Company consists of second charge on current assets along with other term lending institutions.	Assets charged as security consists of primary security of properties belonging to our Company and collateral security, both belonging to our Company and others. Primary security consists of first <i>pari passu</i> charge on the factory, land, building, plant and machinery along with the consortium members. Collateral security of properties belonging to our Company consists of second charge on current assets along with other term lending institutions.
<b>Repayment</b>	Term loan to be repaid within 72 monthly instalments. First instalment becomes due in April 2010 and the last instalment will be due in March 2016.	Term loan to be repaid within 84 monthly instalments. First instalment becomes due in April 2010 and the last instalment will be due in March 2017.

#### Other Important Covenants:

1. Our Company shall not issue dividend without the prior approval of the bank.
2. The proposed limits shall be made available only upon achieving the financial closure or fully tied up under consortium.
3. The term loan to be disbursed only after our Company raises capital through an IPO or private equity.
4. Cost escalation, if any, to be met by the Promoters and no further additional term loan will be considered.
5. Any shortfall in the cash accruals should be met by the Promoters
6. Our Company shall not without the bank's consent:
  - a. Effect any change in its capital structure. In all cases of term loans, where a condition prohibiting disinvestments by promoters of their quota in the equity of the borrower company, without the prior approval of the bank, all the promoters of our Company should furnish an undertaking on the lines specified for this purpose. On the basis of the letter of undertaking, Promoters should also furnish each year in the first week of April, the latter's confirmation together with the Auditors certificate as March 31 every year for record of the bank.
  - b. Formulate any scheme of amalgamation and reconstruction.
  - c. Undertake any new project, implement any scheme of expansion or acquire fixed asset except for those indicated in the fund flow statement submitted to the bank.
  - d. Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies); normal trade credit or security deposits in the normal course of business or advance to employees can however be extended.
  - e. Enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company or otherwise accept deposits apart from the arrangements indicated in the fund flow statements submitted to the bank from time to time and approved by the bank.
  - f. Undertake guarantee obligation on behalf of any other company (including group companies)
  - g. Declare dividends for any year out of the profits relating to that year or of the previous years. It is however necessary for the borrower to ensure first that provisions are made that no repayment obligations remain unmet at the time of making the request for the bank's approval for the declaration of dividend.
  - h. Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.
  - i. Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the bank.
  - j. Enter into any contractual obligation of long term nature or affecting our Company financially to a significant extent.



- k. Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.
  - l. Undertake any trading activity other than the sale of products arising out of its own manufacturing operations.
  - m. Permit any transfer of controlling interest or make any drastic change in the management set up.
  - n. Repay monies brought in by the promoters/directors/principal shareholders and their friends and relatives by way of deposits/loans/advances. Further, the rate of interest, if any, payable on such deposits/loans/advances should be lower than the rate of interest charged by the bank on its term loan and payment of such interest will be subject to regular repayment of instalments under term loans granted/deferred payment guarantees executed by the bank or other repayment obligations, if any, due from our Company to the bank.
  - o. All secured loans/deposits raised by our Company for financing a project are always subordinate to the loans of the banks/financial institutions and should be permitted to be repaid only with the prior approval of the banks and the financial institution concerned.
7. Our Company shall not enter into any contractual obligations of a long-term nature or affecting our Company financially to a significant extent without the bank's permission.
  8. Except with the consent of the bank, our Company shall not during the currency of the term commitments, purchase or sell any capital goods or hire purchase or deferred payment basis, effect borrowings, secured or unsecured apart from the arrangements disclosed in the term loan application from any source whatsoever.
  9. Our Company shall not make any inter-corporate investments or lending without the prior approval of the bank.
  10. Acquisition of fixed assets on lease basis should be made only with the prior approval of the bank.

#### Allahabad Bank

Allahabad Bank has sanctioned a term loan of Rs. 2400 Lacs *vide* sanction letter dated August 24, 2009. The terms and conditions of the sanction are summarised hereinbelow:

<b>Amount of Loan</b>	Rs. 2,400 Lacs
<b>Purpose</b>	To part finance the capacity expansion plans by setting up the Proposed Manufacturing Facility near Ahmedabad within the Proposed Textile SEZ
<b>Margin</b>	35%
<b>Rate of Interest</b>	PLR
<b>Validity of sanction</b>	Six months from the date of sanction
<b>Assets charged as security</b>	Assets charged as security consists of primary security of properties belonging to our Company and collateral security, both belonging to our Company and others. Primary security consists of first <i>pari passu</i> charge on the factory, land, building, plant and machinery along with the consortium members.
<b>Repayment</b>	Term loan to be repaid by 72 monthly instalments of 0.34 crores. First instalment becomes due in April 2011 after construction period of 1 year and 2 months and moratorium of 6 months i.e. 1 year and 8 months. Interest will be realized as and when it will be due.

#### DETAILS OF USE OF ISSUE PROCEEDS

##### 1. To part finance the setting up the Proposed Manufacturing Facility within the Proposed Textile SEZ;

##### A. Cost of the Project

The term loans for the Project have been sanctioned by Dena Bank State Bank of India and Allahabad Bank, all of whom are members of the current consortium arrangement for working capital facilities of our Company. Dena Bank has appraised the Project for our Proposed Manufacturing Facility and the estimated break-down of cost of this Project is as follows:

		(Rs. In Lacs)
Sr. No.	Particulars	Amount
1.	Land	446.00
2.	Factory Building	1348.00
3.	Other Infrastructure	1396.00
4.	Plant and Machinery	
	(i) Imported	2725.00
	(ii) Indigenous	2980.00



Sr. No.	Particulars	Amount
5.	Preliminary and pre-operative expenses	1100.00
	<b>Total</b>	<b>9995.00</b>

#### Detailed Break-up of cost of project

##### a) Land:

We have acquired land aggregating to 1,00,261 square metres for this Project, details of which are given below:

#### Properties acquired for the Project and forming a part of the Proposed Textile SEZ:

Sr. No.	Date of Sale Deed / Agreement for Sale	Name of the Purchaser / Transferee / Occupier	Name of the Seller / Transferor	Consideration (Rs.)	Area	Particulars of the Property, Description
	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar ) <b>Confirming Party:</b> Sarika Paints Limited	59,00,850	Land admeasuring Survey nos (sq mt):  <b>Survey no.</b> <b>Area (sq.mt.)</b> 163/17p            8094 156p                8296 106/2p             13,759 <b>TOTAL</b> <b>30,149</b>	Bearing survey nos. 163/17p, 156p and 106/2p, situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad <b>Proposed Usage:</b> Industrial
	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar ) <b>Confirming Party:</b> Sarika Paints Limited	39,06,000	Land admeasuring Survey nos (sq mt):  <b>Survey no.</b> <b>Area (sq.mt.)</b> 163/26paikkee    11,837 108paikkee        8,094 <b>TOTAL</b> <b>19,931</b>	Bearing survey nos. 163/26 paiki and 108 paiki situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad <b>Proposed Usage:</b> Industrial
	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar ) <b>Confirming Party:</b> Sarika Paints Limited	59,52,000	Land admeasuring Survey nos (sq mt):  <b>Survey no.</b> <b>Area (sq.mt.)</b> 163/12paikkee    16,592 163/3paikkee     11,736 163/4paikkee     2023 <b>TOTAL</b> <b>30,351</b>	Bearing survey nos. 163/12paiki, 163/3paiki and 163/4, situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad <b>Proposed Usage:</b> Industrial



		<b>Party: Sarika Paints Limited</b>							
Sale Deed dated July 24, 2008	Pradip Overseas Limited	Mr. Karshan Ramsangbhai Barad	23,25,000	Land admeasuring Sq.Mtrs.	11,736	Bearing survey nos. 163/3 situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	<b>Proposed Usage:</b> Industrial		
Sale Deed dated July 24, 2008	Pradip Overseas Limited	Mr. Ashwin Kamsukhbhai Rathod	13,27,500	Land admeasuring Mtrs	8,094 Sq.	Bearing survey nos. 163/4 situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	<b>Proposed Usage:</b> Industrial		

All the aforesaid plots are intended to form one consolidated plot of land for this Project. Further, the aforesaid plots are free from all encumbrances and have a clear title and are registered in the name of our Company.

**b) Factory Building :**

The estimated cost of the factory building is Rs.1,348.00 Lacs as per the Re-Appraisal Report and the details are given below

		<i>(Rs. In Lacs)</i>
<b>Sr. No.</b>	<b>Description</b>	<b>Estimated value</b>
1.	Factory Buildings of 10 mtrs height AC roof	832.00
2.	Factory Buildings of 6 mtrs height RCC roof	441.00
3.	Utility buildings	75.00
	<b>Total</b>	<b>1,348.00</b>

**c) Building for common facilities:**

The estimated cost of the building for common facilities is Rs.1,396.00 Lacs as per the Re-Appraisal Report and the details are given below:-

		<i>(Rs. In Lacs)</i>
<b>Sr. No.</b>	<b>Description</b>	<b>Estimated value</b>
1.	Compound wall	114.00
2.	RCC roads	131.00
3.	Landscaping i.e. tree plantation, garden etc.	15.00
4.	Effluent drainage lines	800.00
5.	Underground water tank	100.00
6.	Overhead water tank	104.00
7.	Water distribution lines	47.00
8.	Storm water drainage	35.00
9.	Power and instrumentation, telecommunication and multimedia cabling	50.00
	<b>Total</b>	<b>1,396.00</b>





**d) Plant and machinery**

**i. Imported Plant and Machinery**

The estimated cost of imported plant and machinery is Rs. 2,725 Lacs as stated in the Re-Appraisal Report as per the details given below:-

Imported plant and machinery (orders are yet to be placed):-

		<i>(Rs. In lacs)</i>
Sr. No.	Machine	Estimated cost
1.	Continuous bleaching range with scouring speed- 80 mtrs/minute	590.00
2.	Continuous dyeing range cold pad batch and pad dry range – speed 40 metre/ min	260.00
3.	Continuous pad steam range - speed 40	415.00
4.	Zimmer wider width 3200mm	550.00
5.	Hot air stenter, with accessories 3200 mm	350.00
6.	Laboratory equipment	60.00
7.	Single needle quilting m/c	50.00
8.	Multi needle quilting plant capacity	300.00
9.	Stitching and pacing plant for 15000 sets per day with accessories	75.00
10.	Laser engraving plant	75.00
<b>Total</b>		<b>2,725.00</b>

In respect of imported plant and machinery, we have not placed any orders for and do not propose to import any second hand plant and machinery for the proposed Project.

**ii. Indigenous Plant and Machinery**

The estimated cost of plant and machinery is Rs. 2980.00 Lacs as stated in the Re-Appraisal Report as per the details given below:-

Indigenous plant and machinery (orders are yet to be placed):-

		<i>(Rs. In lacs)</i>
Sr. No.	Machine	Estimated cost
1.	Singeing M/c with accessories- speed 80	60.00
2.	Desizing machine 3200mm with accessories	60.00
3.	Washing range 3200mm width	225.00
4.	Mercerizer 3200mm wide, with accessories speed 80 mtrs/min	415.00
5.	Vertical drying range	40.00
6.	Washing range	225.00
7.	Wider width flat bed printing machines	300.00
8.	Screen equipment	40.00
9.	Polymerising machine/loop ager	45.00
10.	Jiggers cap 5000 mtrs	100.00
11.	Jumbo Capacity 10000 mtrs	150.00
12.	Open air stenter	50.00
13.	Raising machine, with accessories	20.00
14.	Peach finishing machine/lisa m/c	30.00
15.	Compressive shrinking range	45.00
16.	Jet dying SS tank with stirrer	50.00
17.	Tugger and lift and stacking m/c	60.00
18.	Calendar	150.00
19.	Oil boiler 5000 U	65.00
20.	Boiler 10 mt with steam lines	150.00



Sr. No.	Machine	Estimated cost
21.	Folding m/c	15.00
22.	Rolling m/c	20.00
23.	Inspection m/c	15.00
24.	Transportation trucks	50.00
25.	Miscellaneous like trolleys, spares, workshop, studio, design	300.00
26.	Other electrical and compressor, GEB fees, HT Lines and transformer	300.00
<b>Total</b>		<b>2980.00</b>

We have not placed any orders for and do not propose to purchase any second hand plant and machinery for the proposed project.

**e) Preliminary and Pre-operative expenses**

The estimated preliminary and pre-operative expenses are Rs. 1,100 Lacs as per the Re-Appraisal Report and the details are given below:

<i>(Rs. In Lacs)</i>		
Sr. No.	Particulars	Amount
1.	Pre project expenses	10.00
2.	Consultancy and project management charges	450.00
3.	Bank appraisal charges	65.00
4.	Equity raising charges	105.00
5.	Interest during construction	210.00
6.	Service tax and other government taxes	83.00
7.	Contingencies	177.00
<b>Total</b>		<b>1100.00</b>

**2. To part finance the incremental margin money requirement for working capital;**

The details of our working capital limits as on December 31, 2009 is as under:

<i>(Rs. In Lacs)</i>		
Sr. No	Name of the Bank	Sanctioned Amount
1.	Indian Overseas Bank	12,500
2.	Canara Bank	10,000
3.	Union Bank of India	4,500
4.	Bank of India	2,400
5.	Allahabad Bank	7,500
6.	The Karur Vysya Bank Limited	3,000
7.	Dena Bank	2,365
8.	State Bank of India	5,000
9.	Standard Chartered Bank	2,735
10.	Laxmi Villas Bank	2,500
<b>Total</b>		<b>52,500</b>

The assessment of working capital requirement as per the Re-Appraisal Report is as under:

<i>(Rs. In Lacs)</i>			
Year Ending	Audited 2006-07	Audited 2007-08	Audited 2008-09
Net Sales	36,900	62,741	1,13,539
Total Current Assets	20,436	34,873	62,122
Less Current Liabilities (Other than bank borrowing for WC)	9,048	14,171	23,633



Year Ending	Audited 2006-07	Audited 2007-08	Audited 2008-09
Working Capital Gap (A)	11,388	20,702	38,489
Minimum Stipulated margin 20% of current assets (B)	4,087	6,975	12,424
Actual NWC (C)	4,234	6,945	14,265
D = A – B	7,301	13,727	26,065
E = A – C	7,154	13,757	24,224
Max. Permissible Bank Finance (Item D or E whichever is less)	7,154	13,727	24,224

The working capital margin of Rs. 9995 Lacs provides total requirement of working capital margin at full utilization of new capacities. The operation of the new capacities is expected to commence in January 2011 and full capacity utilization is expected to be achieved by FY 2011-12.

Inventory and Receivables Levels:

The assumptions for the holding norms of inventory as per the Re-Appraisal Report are as under:

*(Rs. In Lacs)*

Inventory	Actual		Actual		Actual	
	March 31, 2007		March 31, 2008		March 31, 2009	
	Months	Value	Months	Value	Months	Value
Raw Materials	2.86	8,006	1.98	9,350	2.10	18,304
Work in Progress	0.74	2,206	0.84	4,071	0.62	5,586
Finished Goods	1.10	3,158	0.85	4,048	0.65	5,746
Receivables	3.04	4,659	2.78	14,555	2.27	21,481
Stores and Spares	4.65	103	4.27	100	2.90	72
Creditors	2.22	6,796	2.00	9,650	2.20	19,979

Further, our total projected working capital for existing unit as well as the proposed unit at SEZ for the FY 2009-10 and FY 2010-11 is estimated at Rs. 29,163.60 lacs and Rs. 32,282.62 lacs respectively. For the purpose of estimating the working capital, stock of raw material has been taken for 65 days, work in process for 15 days, finished goods for 20 days, receivables for 65 days and creditors for 50 days has been considered.

*Note: One of the objects of this Issue is to raise funds for the incremental working capital margin of Rs. 9,995 Lacs for our future operations for our current facilities and Proposed Manufacturing facility. We have not made applications for enhancement of our working capital limits for our future operations.*

### 3. To meet Issue expenses

The total expenses of the Issue will be finalised after determination of Issue Price. The Issue related expenses include, among others, underwriting and Issue management fees, selling commission, printing and distribution expenses, legal fees, advertisement expenses, IPO grading fees, registrar and depository fees and listing fees.

*(Rs. In Lacs)*

Sr. No.	Description	Estimated expense*	% of Total Expenses*	% of Total Issue Size*
1.	Fees for the BRLM	[•]	[•]	[•]
2.	Fees for the Registrar to the Issue	[•]	[•]	[•]
3.	Regulatory fees (including fee payable to SEBI, Stock Exchanges)	[•]	[•]	[•]
4.	Fees payable to the legal counsel	[•]	[•]	[•]
5.	Fees payable to the Auditors	[•]	[•]	[•]
6.	Fees payable to IPO Grading Agency	[•]	[•]	[•]



Sr. No.	Description	Estimated expense*	% of Total Expenses*	% of Total Issue Size*
7.	Marketing fee (including fee payable to advertising agencies)	[•]	[•]	[•]
8.	Miscellaneous expenses	[•]	[•]	[•]
<b>Total estimated Issue Expenses</b>		[•]	[•]	[•]
<b>Less: Provided for in the cost of Project as per Appraisal Report</b>		105	[•]	[•]
<b>Issue Expenses not included in cost of Project as per Appraisal Report</b>		[•]	[•]	[•]

\*Will be incorporated on finalization of the Issue Price and prior to filing Prospectus with RoC.

## B. Schedule of Implementation

The schedule of implementation for setting up the Proposed Manufacturing Facility as the Re-Appraisal Report is as follows:

Sr. No.	Particulars	Start Date	Completion Date
1.	Land	Land already acquired	November 2008
2.	Site development	November 2009	January 2010*
3.	Other infrastructure for civil work, inviting the bids, scrutiny and award the contract	Preliminary Letters of Intent both dated September 01, 2008 each issued to M/s Sakshi Construction and M/s Diraj Patel & Co.*	Preliminary Letters of Intent both dated September 01, 2008 each issued to M/s Sakshi Construction and M/s Diraj Patel & Co. Revalidation of Bids shall be obtained by August 2009.**
4.	Preparation of bids for plant building civil works, inviting the bids scrutiny and award the contract	Preliminary Letter of Intent dated September 01, 2008 issued to M/s Sakshi Construction.*	Preliminary Letter of Intent dated September 01, 2008 issued to M/s Sakshi Construction. Revalidation of Bids shall be obtained by September 2009.**
5.	Preparation of bids for plant and machinery inviting the bids, scrutiny and award the purchase order***	January, 2009	Quotation received which needs to be revalidated. Revalidation of bids shall be obtained in November, 2009.
6.	Execution of civil work for structure and plant building	November, 2009#	September, 2010
7.	Supply erection and commissioning of textile machinery works	July 2010	October, 2010
8.	Trial runs for production and handing over	October, 2010	December, 2010
9.	Commercial Production	-	January, 2011



\* - Expected to Complete by April, 2010

\*\* Issue of final Letters of Intent would be subject to receipt of revalidated detailed price and technical bids from the respective suppliers. The final Letters of Intent have not yet been issued, and are expected to be issued in March 2010.

\*\*\* - Not yet commenced. Expected to commence in February, 2010 and Completion by May, 2010.

# - Not yet commenced. Expected to commence in April, 2010.

### C. Details of amounts already deployed

The sources and deployment of funds on the Project as on January 31, 2010 as certified by our Statutory Auditors M/s. Ashok Dhariwal & Co., Chartered Accountants, *vide* their certificate dated February 15, 2010 is as under:

		<i>(Rs. In Lacs)</i>
Sr.No	Particulars	Amount
<b>Deployment</b>		
1.	Land acquisition and development	297.38
2.	IPO expenses	69.52
	<b>Total</b>	<b>366.90</b>
<b>Sources</b>		
1.	Internal Accruals	366.90
	<b>Total</b>	<b>366.90</b>

### D. Details of fund deployment:

The details of balance funds deployment in relation to the Project and incremental working capital margin as estimated by our Company is as follows:

	<i>(Rs. In Lacs)</i>
Year	Fund deployment
March 31, 2010 (excluding amount already spent)	310.00
March 31, 2011	11,816.85
March 31, 2012	7,496.25
Add: Amount already spent	366.90
<b>Total</b>	<b>19,990.00</b>

### INTERIM USE OF PROCEEDS

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short-term / long-term liquid instruments including deposits with banks for the necessary duration, working capital and no investments will be made in equity markets. If the funds are utilised as working capital, we will ensure that the funds are available for deployment in accordance with the deployment schedule. Such investments would be in accordance with the investment policies as approved by the Board of Directors or a duly authorized committee of the Board of Directors from time to time.

### MONITORING OF UTILISATION OF FUNDS

We have not appointed a monitoring agency to monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head along with details, for all such proceeds of the Issue that have not been utilized. We will indicate investments, if any, of unutilized proceeds of the Issue in our financial statements for the relevant Financial Years subsequent to our listing.

Our Audit Committee will also monitor the utilization of the Issue Proceeds. Pursuant to clause 49 of the Listing Agreement, our Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. Further, on an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Draft Red



Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the proceeds of the Issue have been utilised in full. The statement shall be certified by the Statutory Auditors.

Further, Pursuant to clause 43A of the Listing Agreement, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Red Herring Prospectus. Our Company shall be required to inform material deviations in the utilization of the Net Proceeds of the Issue to the Stock Exchanges and shall also be required to simultaneously make the material deviations/adverse comments of the Audit committee/monitoring agency public through advertisement in newspapers.

No part of the Issue Proceeds of this issue will be paid as consideration to our Promoters, directors, key managerial employees or group concerns/companies promoted by our Promoters, except in the normal course of our business.



## BASIC TERMS OF THE ISSUE

### Principal Terms and Conditions of the Issue

The Equity Shares now being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, ASBA form, the Revision Form, CAN, revised CAN the listing agreement with the Stock Exchanges and other terms and conditions as may be incorporated in the Allotment advice and other documents / certificates that may be executed in respect of the Equity Shares. Further to the above, the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Reserve Bank of India, RoC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being issued through the Issue shall, subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, rank *pari-passu* in all respects with the other existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees, in receipt of Allotment of Equity Shares under the Issue, will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment. For description of the main provisions of our Articles of Association, please refer section titled “*Main Provisions of the Articles of Association of our Company*” beginning on page 262 of the Red Herring Prospectus.

### Mode of Payment of Dividend

The declaration and payment of dividend, if any, will be as per the provisions of the Companies Act.

### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each will be offered in terms of the Red Herring Prospectus to be filed with the RoC at a price of Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The Floor Price of the Equity Shares is Rs. [●] per Equity Share and Cap Price is Rs. [●] per Equity Share. The Issue Price is [●] times the face value of the Equity Shares.

### Compliance with SEBI (ICDR) Regulations, 2009

Our Company shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders (members) of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and other preferential claims being satisfied;
- Right of free transferability of the Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For a description of the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer section titled “*Main Provisions of the Articles of Association of our Company*” beginning on page 262 of the Red Herring Prospectus.

### Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company in this Issue shall be Allotted only in dematerialised form. As per the existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialised form for all investors, and hence, the tradable lot would be one Equity Share. Allotment in the Issue will be only in electronic form in multiples of one Equity Share to the successful bidders subject to a minimum Allotment of [●] Equity Shares in the Issue. For details of Allocation and Allotment, please refer chapter titled “*Issue Procedure*” beginning on page 221 of the Red Herring Prospectus.



## BASIS FOR ISSUE PRICE

The Issue price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the equity shares offered by way of book building. The face value of the Equity Shares is Rs. 10/- and the Floor Price is [●] times the face value and the Cap Price is [●] times the face value.

**Investors should read the following summary with the Risk Factors included starting from page 12 and the details about our Company and its Financial Statements included in the Red Herring Prospectus on page 150. The trading price of the equity shares of our Company could decline due to these risks and you may lose all or part of your investment.**

### I. Qualitative Factors

- Experience and vision of our Promoters
- Scalable Business Model
- Existing global supplies and potential for export growth
- Experienced management team
- Good relations with work force
- Product mix and Market mix
- History of repeat orders
- Cost effective production and timely fulfillment of orders
- Quality control

For details, please refer chapter titled “*Business Overview*” on page 92 of the Red Herring Prospectus.

### II. Quantitative Factors

Information presented in this section is derived from our Company’s restated, financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

#### 1. Basic and Diluted Earnings Per Share (EPS)

Year	EPS (Rs.)	Weight
2006-07	7.4.	1
2007-08	12.85	2
2008-09	13.93	3
For the nine months period ended December 31, 2009 (Not annualized)	17.17	
<b>Weighted average</b>	<b>12.48</b>	

Note:

- The earning per share has been computed by dividing net profit as restated, attributable to equity shareholders by restated weighted average number of equity shares outstanding during the year.
- The face value of each equity share is Rs. 10/-

#### 2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]/- per share

P/E based on the Cap Price of Rs. [●] and on the EPS of the year ended March 31, 2009 is [●]

P/E based on the Floor Price of Rs. [●] and on the EPS of the year ended March 31, 2009 is [●]

#### Industry P/E

Particulars	Industry	
	Textiles – Processing	Textiles- Products
Highest	485.50	601.10
Lowest	3.20	1.80





Particulars	Industry	
	Textiles – Processing	Textiles- Products
Industry Composite	34.85	56.84

(Source: Capital Market Vol. XXIV/25 February 08-21, 2010)

### 3. Average Return on Net Worth

Year	RONW (%)	Weight
2006-07	46.31	1
2007-08	44.93	2
2008-09	32.75	3
<b>Weighted average</b>	<b>39.07</b>	
For the three month period ended December 31, 2009 (not annualized)	28.75	

- Minimum Return on Total Net Worth to maintain Pre-Issue EPS as on March 31, 2009 is [●]%

### 4. Net Asset Value

Net Asset Value per Equity Share for the Year ended March 31, 2009 is Rs. 42.53 and for the period ended December 31, 2009 is Rs. 59.70.

Post Issue Net Asset Value (based on March 31, 2009 NAV) per Equity Share after the Issue, based on the Cap Price of Rs. [●]: Rs. [●]

Post Issue Net Asset Value (based on March 31, 2009 NAV) per Equity Share after the Issue, based on the Floor Price of Rs. [●] : Rs. [●]

Issue Price\*: [●]

\*Issue Price per Share will be determined on conclusion of book building process.

*Net Asset Value per Equity Share represents shareholders' equity as per restated financial statements less revaluation reserves and miscellaneous expenses as divided by weighted average number of Equity Shares outstanding as of date.*

### 5. Comparison with Industry Peers

Particulars	EPS (Rs)	P/E	RONW (%)**	BV (Rs.)
<b>Pradip Overseas Ltd.*</b>				
At Floor Price of Rs. [●]	13.93	[●]	32.75 %	42.53
At Cap Price of Rs. [●]	13.93	[●]	32.75 %	42.53
<b>Peer Group*</b>				
Alok Industries	3.60	7.30	10.08%	35.70
Welspun India Limited	14.00	5.50	18.42%	76.00
Bombay Rayon Limited	15.30	13.60	10.53%	145.30

- Based on Restated Standalone numbers of March 31, 2009
- \*\* For the purpose of determination of RONW, formula used is Earning Per Share (EPS)/ Book Value (BV)

(Source: Capital Market Vol. Vol. XXIV/25 February 08-21, 2010)

- The face value of our Equity Shares is Rs.10/- per Equity Share and the Issue Price of Rs. [●]/- is [●] times of the face value of our Equity Shares. The final price would be determined on the basis of the demand from the investors.
- The BRLM believes that the Issue Price of Rs. [●]/- per Equity Share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 150 of the Red Herring Prospectus to have a more informed view about the investment proposition.



## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
Pradip Overseas Limited.  
Ahmedabad.

Dear Sirs,

### **Statement of Possible Tax Benefits Available to the Company and its shareholders**

We hereby report that the enclosed statement provides the possible tax benefits available to Pradip Overseas Limited (“the Company”) and to the shareholders of the Company under the Income tax Act, 1961 (provisions of Finance Act, 2009), Wealth Tax Act, 1957, and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- i. Company or its shareholders will continue to obtain these benefits in future; or
- ii. The conditions prescribed for availing the benefits has been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

**For, Ashok Dhariwal & Co.**  
**Chartered Accountants,**

**(Ashok Dhariwal)**  
**Proprietor**

**Membership No: 36452**

**Date: February 15, 2010**  
**Place: Ahmedabad**



## STATEMENT OF TAX BENEFITS

### I. SPECIAL TAX BENEFITS

#### 1. SPECIAL TAX BENEFITS AVAILABLE TO THE PROPOSED UNIT OF THE COMPANY TO BE ESTABLISHED IN SPECIAL ECONOMIC ZONE (SEZ)

Section 10(AA) of the Income Tax Act allows any SEZ unit which begins operations on or after April 1, 2006 to make tax deductions equivalent to 100% of its income generated for a period of five consecutive assessment years from the time the SEZ unit commences operations, 50% for the next five assessment years and tax deductions not exceeding 50% of the ploughed-back profits for the following five assessment years.

The Company will be eligible for exemption from minimum alternate tax U/S 115JB of the Income Tax Act on profit of the Unit to be established in SEZ.

#### 2. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY BEING A DEVELOPER OF SEZ

Company has received approval to develop a Special Economic Zone. The Company will be eligible for deduction under section 80-IAB as under:

Where the gross total income of an assessee, being a Developer, includes any profits and gains derived by an undertaking or an enterprise from any business of developing a Special Economic Zone, notified on or after the 1<sup>st</sup> day of April, 2005 under the Special Economic Zone Act, 2005, there shall, in accordance with and subject to the provisions of section 80-IAB (1), be allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business for ten consecutive assessment years.

The deduction specified in sub-section (1) of section 80-IAB may, at the option of the assessee, be claimed by him for any ten consecutive assessment years out of fifteen years beginning from the year in which a Special Economic Zone has been notified by the Central Government.

#### 3. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY

There are no special tax benefits available to the shareholders of the Company.

### II. GENERAL TAX BENEFITS

The Income Tax Act, 1961 (provisions of Finance Act, 2009), Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India, make available the following general tax benefits to companies and to their shareholders. Several of these benefits are dependant on the companies or their shareholders fulfilling the conditions prescribed under the relevant provisions of the statute.

#### A. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 (“THE ACT”):

The Company will be entitled to deduction under the sections mentioned hereunder from its total Income chargeable to Income Tax.

##### 1. Dividends Exempt Under section 10 (34)

Under section 10 (34) of the act, Company will be eligible for exemption of income by way of Dividend (Interim or final) on shares held in a domestic Company referred to in section 115-O of the Act.

##### 2. Income from Units of Mutual Fund exempt under section 10 (35)

The Company will be eligible for exemption of income received from units of mutual funds specified under section 10 (23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of section 10 (35) of the Act.

##### 3. Computation of Capital Gains and tax thereon

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or units of Mutual Fund specified under section 10 (23D) or zero



coupon bond will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “Short Term Capital Gains”.

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.

As per the provisions of section 112 (1) (b) of the Act, long term gains as computed above that are not exempt under section 10 (38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund on or after 1st October, 2004, where the transaction of sale is subject to Securities Transaction Tax (“STT”) shall be chargeable to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

#### **4. Exemption of capital gain from income tax**

- a) Under section 10 (38) of the Act, any long term capital gains arising out of sale of equity shares or units of an equity oriented fund on or after 1st October, 2004, will be exempt from tax provided that the transaction of sale of such shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB.
- b) According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer of shares. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees. The cost of specified assets which is considered for the purpose of section 54EC shall not be eligible for deduction under section 80C of the Act.
- c) In accordance with section 54ED capital gain arising on the transfer of a long –term capital assets being listed securities on which securities transaction tax is not payable, shall be exempt from tax provided the whole of the capital gain is invested within a period of six months in equity shares forming part of an eligible issue of capital.

If only part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gain” of the year in which the specified equity shares are transferred. The cost of the specified equity shares will not be eligible for deduction under section 80C.

#### **5. COMPUTATION OF BUSINESS INCOME:**

Subject to the fulfillment of conditions prescribed, the company will be eligible, inter-alia, for the following specified deductions in computing its business income:-

- (a) Under Section 35 (1) (i) and (iv) of the Act, in respect of any revenue or capital expenditure



Incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

- (b) Under Section 35 (1) (ii) and (iii) of the Act, in respect of any sum paid to a scientific research association which has as its object the undertaking of scientific research, or to any approved university, College or other institution to be used for scientific research or for research in social sciences or statistical scientific research to the extent of a sum equal to one and one fourth times the sum so paid. Under Section 35 (1) (iia) of the Act, any sum paid to a company, which is registered in India and which has as its main object the conduct of scientific research and development, to be used by it for scientific research, shall also qualify for a deduction of one and one fourth times the amount so paid.
- (c) Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.
- (d) Subject to compliance with certain conditions laid down in section 32 of the Act, the Company will be entitled to deduction for depreciation:
  - In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income Tax Rules, 1962. The company is entitled to an additional depreciation allowance of 20% of the cost of new machineries acquired and put to use during the year.

#### COMPUTATION OF TAX ON BOOK PROFITS:

- (e) Under section 115JAA (1A) of the Act, tax credit shall be allowed of any tax paid under section 115 JB of the Act (MAT). Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 10 years succeeding the year in which the MAT becomes allowable. The company shall be eligible to set-off the MAT credit, thus carried forward, in the year in which it is required to pay the tax under the regular provisions of the Income-tax Act. The amount which can be set-off is restricted to the difference between the tax payable under the regular provisions of the Act and tax payable under the provisions of section 115JB in that year.

#### TAX REBATES (TAX CREDITS):

- (f) As per the provisions of section 90, for taxes on income paid in Foreign Countries with which India has entered into Double Taxation Avoidance Agreements (Tax Treaties from projects/activities undertaken thereat), the Company will be entitled to the deduction from the Indian Income-tax of a sum calculated on such doubly taxed income to the extent of taxes paid in Foreign Countries. Further, the company as a tax resident of India would be entitled to the benefits of such Tax Treaties in respect of income derived by it in foreign countries. In such cases the provisions of the Income tax Act shall apply to the extent they are more beneficial to the company. Section 91 provides for unilateral relief in respect of taxes paid in foreign countries.

#### B. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS:

- (a) **Dividends exempt under section 10 (34)**  
Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.
- (b) **Income of a minor exempt up to certain limit**  
Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs.1, 500/- per minor child.
- (c) **Computation of capital gains and tax thereon**  
Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or units of Mutual Fund specified under section 10 (23D) or zero



coupon bond will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “Short Term Capital Gains”.

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.

As per the provisions of section 112 (1) of the Act, long term gains as computed above that are not exempt under section 10 (38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund on or after 1st October, 2004, where the transaction of sale is subject to Securities Transaction Tax (“STT”) shall be chargeable to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess).

#### ***Exemption of capital gain from income tax***

- Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to Securities Transaction Tax (“STT”).
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer of shares. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees. The cost of specified assets which is considered for the purpose of section 54EC shall not be eligible for deduction under section 80C of the Act.
- In accordance with section 54ED capital gain arising on the transfer of a long –term capital assets being listed securities on which securities transaction tax is not payable, shall be exempt from tax provided the whole of the capital gain is invested within a period of six months in equity shares forming part of an eligible issue of capital.

If only part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gain” of the year in which the specified equity shares are transferred. The cost of the specified equity shares will not be eligible for deduction under section 80C.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (“HUF”), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been



made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become Chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of one year or constructs within a period of three years after the date of transfer of the long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

**(d) Deduction in respect of Securities Transaction Tax paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.

**C. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN FIIS AND FOREIGN VENTURE CAPITAL INVESTORS):**

**(a) Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

**(b) Income of a minor exempt up to certain limit**

Under Section 10 (32) of the Act, any income of minor children clubbed in the total income of the parent under section 64 (1A) of the Act will be exempted from tax to the extent of Rs.1, 500/- per minor child.

**(c) Computation of capital gains and tax thereon**

Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or units of mutual fund specified under section 10 (23D) of the Act or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of assets held for 12 months or less are considered as “short term capital gains”.

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident where the investment in such shares was made in foreign currency. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. Benefit of indexation of costs is not available in above case.

According to the provisions of section 112(1)(c) of the Act, long term capital gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary higher education cess).

In case investment is made in Indian Rupees, the long-term capital gains that are not exempt u/s 10(38) of the Act are to be computed after indexing the cost.

However, as per the proviso to section 112(1), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

As per the provisions of section 111A of the Act, short-term capital gains of equity shares on or after 1<sup>st</sup> October, 2004, where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess)

**(i) Capital gains tax - Options available under the Act**



### **Where shares have been subscribed in convertible foreign exchange**

Option of taxation under chapter XII-A of the Act:

Non-resident Indians [as defined in section 115C (e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian Company not exempt under section 10 (38), will be subject to tax at the rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess) without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset, if part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.
- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) and (v) of section 115C(f) for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

### **Where the shares have been subscribed in Indian Rupees:**

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed time to time.

As per the provisions of section 112(1) (c) of the Act, long term capital gains that are not exempt u/s. 10(38) of the Act as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are





chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge, education cess and secondary higher education cess).

**(ii) Exemption of capital gain from income tax**

Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer of shares. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees. The cost of specified assets which is considered for the purpose of section 54EC shall not be eligible for deduction under section 80C of the Act.

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become Chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of one year or constructs within a period of three years after the date of transfer of the long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

**(d) Deduction in respect of Securities Transaction Tax paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income.

**(e) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**D. BENEFITS AVAILABLE TO OTHER NON-RESIDENT SHAREHOLDERS (OTHER THAN FIIS AND FOREIGN VENTURE CAPITAL INVESTORS):**

**(a) Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

**(b) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act will be exempted from tax to the extent of Rs.1, 500/- per minor child.

**(c) Computation of capital gains and tax thereon**



Capital assets may be categorized into short term capital asset and long term capital assets based on the period of holding. Shares in a Company, listed securities or units of UTI or unit of mutual fund specified under section 10 (23D) of the Act or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of assets held for 12 months or less are considered as “short term capital gains”.

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112(1)(c), of the Act, long term gain as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary higher education cess). In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112 (1), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

As per the provisions of section 111A of the Act, short term capital gains of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess).

#### (d) Exemption of capital gain from income tax

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer of shares. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees. The cost of specified assets which is considered for the purpose of section 54EC shall not be eligible for deduction under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become Chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of one year or constructs within a period of three years after the date of transfer of the long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.



**(e) Deduction in respect of Securities Transaction Tax paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.

**(f) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**E. BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS (‘FII’s’):**

**(a) Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

**(b) Taxability of capital gains**

Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB.

The income by way of short term capital gains or long term capital gains in case not covered under section 10 (38) of the Act] realized by FII’s on sale of the shares of the Company would be taxed at the following rates as per section 115AD of the Act.

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).
- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer of shares. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed fifty lakh rupees. The cost of specified assets which is considered for the purpose of section 54EC shall not be eligible for deduction under section 80C of the Act.

**Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**F. BENEFITS AVAILABLE TO MUTUAL FUNDS**



As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India, would be exempt from income tax subject to the conditions as the Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

**G. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957**

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, no wealth tax will be payable on the market value of shares of the company held by the shareholder of the company.

**H. BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT, 1958**

Gift of shares of the Company made on or after 1st October, 1998, are not liable to Gift tax.

**Notes:**

1. The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequence of the purchase, ownership and disposal of equity shares;
2. The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant tax laws, including as laid down by the circular 4/2007 dated 15<sup>th</sup> June 2007 issued by CBDT concerning capital gain, for availing concessions in relation to capital gain tax;
3. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out their participation in the issue;
4. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
5. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.

**For, Ashok Dhariwal & Co.  
Chartered Accountants,**

**(Ashok Dhariwal)  
Proprietor  
Membership No: 36452**

**Date : February 15, 2010  
Place : Ahmedabad**



## SECTION – V

### ABOUT US

#### INDUSTRY OVERVIEW

*The information in this section is derived from various government publications and other industry sources. Neither we, nor any other person connected with this Issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.*

#### INDIAN SCENARIO

The textile industry occupies a unique position in the Indian economy as it contributes significantly to the industrial production, employment generation and foreign exchange earnings. It has immense potential for employment generation, particularly in the rural and remote areas of the country on account of its close linkage with agriculture. The Indian textile industry is one of the largest in the world with projected US\$ 20.94 bn of exports during 2008-2009 (Source: Ministry of Textile). It has a total market size of US \$52 billion and accounts for 26% of the manufacturing sector, 20% of industrial production and 18% of industrial employment. It contributes 15% to gross export earnings and 4% to national GDP. It provides direct employment to about 35 million persons. Besides, another 50 million people are engaged in allied activities. Market size potential for the industry is envisaged at USD 115 bn by FY 2012 (exports US \$ 55 billion; domestic market US \$ 60 million. (Source: Annual report 2008-09, Ministry of Textiles). It is the only industry which is self-reliant and complete in value chain. i.e. from raw material to the highest value-added products – garments/made-ups. Therefore, the growth and development of this industry has a significant bearing on the overall development of the Indian economy.

The close linkage of the Industry to agriculture and the ancient cultures, and traditions of the country make the Indian textile sector unique in comparison with the textile industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country. The major sub-sectors that comprise the textiles sector include the organized Cotton/ Man-Made Fibre Textiles Mill Industry, the Man-made Fibre/ Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

#### STRUCTURE OF THE INDIAN TEXTILE INDUSTRY

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized powerlooms/ hosiery and knitting sectors form the largest section of the Textiles Sector. This industry uses natural fibres – cotton, jute, silk and wool, as well as synthetic/man-made fibres – polyester, viscose nylon, acrylic and their multiple blends. The complex and varied structure of the industry coupled with its linkage with our ancient culture and tradition provides it with the unique capacity to produce. With the help of the latest technological inputs and design capability, a wide variety of products suitable to the varying consumer tastes and preferences, both within the country and overseas. The textile industry has shown remarkable resilience and has grown considerably in terms of installed spindleage, yarn production and output of fabrics and garments. (Source: Annual report 2008-09, Ministry of Textiles)

#### Indian Textile Industry – Overview

Item	Units	2003	2004	2005	2006	2007	2008	2009 P
<b>Cotton/MMF</b>								
<b>Textile Mills</b>	No.	1875	1787	1789	1780	1808	1773	1828*
Spinning Mills (Non-SSI)	No.	1599	1564	1566	1570	1608	1597	1651*
Composite Mills (Non-SSI)	No.	276	223	223	210	200	176	177*
<b>Spinning Mills (SSI)</b>	No.	1146	1135	1161	1173	1236	1219	1247
Exclusive Weaving Mills (Non-SSI)	No.	209	206	202	204	204	179	184*
Powerloom Units	Lac No.	3.80	4.13	4.26	4.34	4.40	4.69	-



<b>Installed Capacity</b>								
Spindles (SSI and Non-SSI)	Millions	39.03	37.03	37.47	37.51	39.5	39.07	41.3*
Rotors (SSI and Non-SSI)	Lacs	4.68	4.82	5	5.20	6.01	6.21	6.57*
Looms (Organised sector)	Lacs	1.37	1.05	1.03	0.92	0.88	0.71	0.56
Powerloom	Lacs	16.93	18.37	19.03	19.44	19.9	21.06	-
Handloom	Lacs	38.91	38.91	38.91	38.91	38.91	38.91	-
MMF	Million kgs.	1096	1101	1189	1191	1663	1659	-
MMF Yarn	Million kgs.	1191	1228	1337	1374	2053	2101	-
Worsted spindles (Woolen)	Thousands	604	604	604	604	604	604	-
Non-worsted spindles (Woolen)	Thousands	437	437	437	437	437	437	-
<b>Fibres Production</b>								
Raw-cotton	Lac bales	136	179	243	241	280	315	218.85*
Man-made fibres	Million kgs.	914	953	1023	968	1139	1244	869.43*
Raw wool	Million kgs.	50.5	48.5	44.6	44.9	45.2	45.2	-
Raw silk	Million kgs.	16.32	15.74	16.5	17.31	18.76	18.31	-
<b>Yarn Production</b>								
Cotton	Million kgs.	2177	2121	2272	2521	2823	2948	2406*
Other Spun Yarn	Million kgs.	904	931	951	937	990	1055	833*
Manmade Filament Yarn	Million kgs.	1100	1118	1109	1179	1370	1509	1161*
<b>Fabric Production</b>								
Cotton	Msm	19300	18040	20655	23873	26238	27205	22475*
Blended	Msm	5876	6068	6032	6298	6882	6888	5865*
100% NC (Including Khadi, Wool & Silk)	Msm	16797	18275	18691	19406	20269	21175	17982*

\* - Figures upto January'09

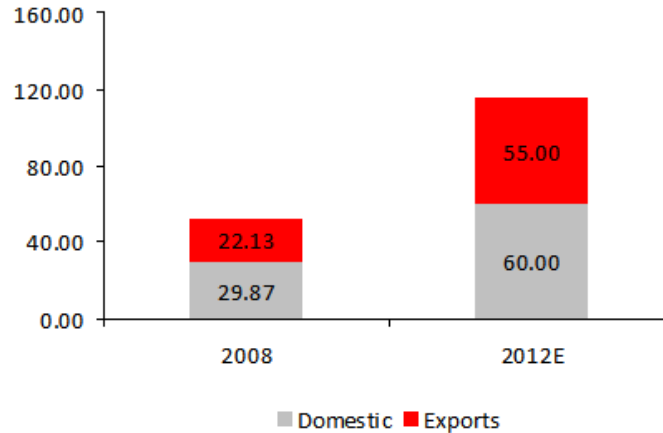
(NC: Non-Cotton; Msm: Million Square Metres ; MMF: Man Made Fibers ; SSI: Small Scale Industries) (Source: Ministry of Textiles)

### Current Scenario

The exports of textiles and clothing during 2003-04, 2004-05, 2005-06 and 2006-07 were US\$ 13.5 billion, US\$ 14 billion, US\$ 17.52 billion and US\$ 19.15 billion respectively. The exports were US\$ 22.13 billion in 2007-08, registering a growth of 15.56% in dollar terms. However due to economic meltdown, the textile export is projected to decline to US\$ 20.94 billion in 2008-09 (Source: Ministry of Textile). The industry which was growing at 3-4 percent during the last six decades has now accelerated to an annual growth rate of 16 percent in value terms and will reach the level of US \$ 115 billion by 2012. The textiles sector has witnessed a spurt in investments during the last four years. The main engine of investment has been the Technology Upgradation Fund Scheme (TUFS). The Total investment during 1999-2007 has been Rs. 1,21,396 crore, of which the Investment during 2004-2007 was Rs. 1,01,481 crore. It is expected to touch Rs. 1,50,600 crore by 2012. This enhanced investment will generate 17.37 million jobs. (Source: Annual report 2008-09, Ministry of Textiles)



### Indian Textile Market



(Source: Annual report 2008-09, Ministry of Textiles)

### INDIA'S EXPORTS OF MADE-UPS

Description	APR / DEC 2007				APR / DEC 2006			
	Mn.Kgs	Mn.Rs	Mn.US \$	% share	Mn.Kgs	Mn.Rs	Mn.US \$	% share
Towels (Terry)	103.34	8032.02	198.78	10.95	124.61	7719.11	169.66	9.41
Carpets/Carpetting Material	45.66	7786.06	192.69	10.61	53.49	8517.96	187.22	10.38
Bedspreads/Bed Sheets	22.08	7081.59	175.26	9.65	30.94	7808.39	171.62	9.52
Bedlinen/Coverlets	24.36	6288.31	155.62	8.57	16.84	5019.35	110.32	6.12
Table, Toilet & kitchen Linen	36.47	5965.86	147.64	8.13	33.45	6517.30	143.25	7.94
Dress Materials etc	81.39	4281.66	105.96	5.83	28.14	7679.57	168.79	9.36
Durries/Druggets/Rug	23.69	3416.39	84.55	4.66	23.60	3505.89	77.06	4.27
Curtains	11.20	2808.48	69.50	3.83	10.27	2741.12	60.25	3.34
Table Cloth	25.63	2725.71	67.46	3.71	33.94	3138.48	68.98	3.82
Towels (non-terry)	42.75	2360.94	58.43	3.22	45.32	2362.03	51.92	2.88
Cushion Cover	25.35	2336.56	57.83	3.18	92.42	2671.85	58.73	3.26
Dusters/Glass Cloth	14.90	2054.02	50.83	2.80	15.28	2192.89	48.20	2.67
Shawls/Scarves/Dupattas	22.36	1484.83	36.75	2.02	19.66	1332.14	29.28	1.62
Pillowcaes	15.99	1278.35	31.64	1.74	22.78	1914.84	42.09	2.33
Arab Rumals/Turbans	11.16	1066.96	26.41	1.45	13.68	1346.55	29.60	1.64
Napkins	30.79	1058.71	26.20	1.44	37.18	1201.25	26.40	1.46
Place mats	13.88	939.85	23.26	1.28	22.65	1573.92	34.59	1.92
Sarees	8.09	583.39	14.44	0.80	6.30	380.09	8.35	0.46
Sacks & Bags/Thailies	2.84	506.48	12.53	0.69	4.27	896.97	19.71	1.09
Blankets and Waste Blankets	3.52	491.26	12.16	0.67	5.67	879.93	19.34	1.07
<b>TOTAL (incl.others)</b>	<b>660.36</b>	<b>73381.30</b>	<b>1815.92</b>	<b>100.00</b>	<b>809.53</b>	<b>82063.70</b>	<b>1803.60</b>	<b>100.00</b>
Exchange Rate : Apr/Dec 2007 1 US \$ = Rs. 40.41 and Apr/Dec 2006 1 US \$ = Rs.45.50								
Source: TEXPROCIL/"India Trades, CMIE"/DGCIS, Kolkata								

The break-up of these imports from India to US and their growth rate is show an under:



## Home Textiles Imports by USA

Country	Calendar Years				% Share	% Increase/(Decrease)
	2006	2007	2008	2009		
					CY 2009	CY 08 – 09
<b>Cotton Pillow Cases (360)</b>						
World	333.14	374.22	350.57	299.89		-14.46%
China	93.15	128.15	118.71	85.84	28.62%	-27.69%
Pakistan	99.39	98.05	82.14	77.74	25.92%	-5.36%
<b>India</b>	<b>55.63</b>	<b>68.84</b>	<b>86.13</b>	<b>86.70</b>	<b>28.91%</b>	<b>0.67%</b>
<b>Cotton Sheets (361)</b>						
World	1,363.31	1,500.56	1,429.30	1,205.22		-15.68%
China	378.32	510.45	495.49	352.27	29.23%	-28.91%
Pakistan	417.52	401.03	346.56	313.79	26.04%	-9.46%
India	224.63	264.67	311.38	312.84	25.96%	0.47%
<b>Cotton Bed Spreads/Quilts (362)</b>						
World	922.61	1,004.65	1,011.35	914.42		-9.58%
China	488.11	562.10	589.51	518.65	56.72%	-12.02%
Pakistan	189.68	182.49	179.76	200.87	21.97%	11.75%
India	85.97	70.98	72.28	62.31	6.81%	-13.79%
<b>Cotton Terry/Other Pile Towels (363)</b>						
World	1,153.39	1,285.83	1,328.75	1,205.06		-9.31%
India	291.44	359.26	372.52	362.96	30.12%	-2.57%
China	209.65	257.89	288.49	282.74	23.46%	-1.99%
Pakistan	204.67	226.48	284.86	265.36	22.02%	-6.85%
<b>Other Cotton Manufacturers (369)</b>						
World	2,763.95	2,995.66	2,959.20	2,606.15		-11.93%
China	1,515.80	1,713.81	1,738.57	1,510.33	57.95%	-13.13%
India	433.51	424.06	426.21	403.33	15.48%	-5.37%
Pakistan	378.72	391.17	405.03	367.56	14.10%	-9.25%
<b>Total</b>						
World	6,536.40	7,160.92	7,079.16	6,230.74		-11.98%
China	2,685.03	3,172.40	3,230.77	2,749.83	44.13%	-14.89%
Pakistan	1,289.98	1,299.22	1,298.35	1,225.32	19.67%	-5.62%
India	1,091.18	1,187.81	1,268.51	1,228.14	19.71%	-3.18%

(Source: OTEXA)

## EUROPEAN UNION

EU Home Textiles Import from India, China and Pakistan			
Country	Jan-Aug 2007	Jan-Aug 2006	% Change 07/06
<b>Extra EU</b>			
Catg 20 Bed linen	874	804	8.71
Cat 39 Table, Toilet & Kitchen Linen	261	253	3.16
<b>Total</b>	<b>1135</b>	<b>1057</b>	<b>7.38</b>
Catg 9 Terry Towels	547	505	8.32
<b>India</b>			
Catg 20 Bed linen	97	93	4.30
Cat 39 Table, Toilet & Kitchen Linen	81	76	6.58
<b>Total</b>	<b>178</b>	<b>169</b>	<b>5.33</b>
Catg 9 Terry Towels	55	43	27.91
<b>China</b>			





Catg 20 Bed linen	122	96	27.08
Cat 39 Table, Toilet & Kitchen Linen	47	38	23.68
<b>Total</b>	<b>169</b>	<b>134</b>	<b>26.12</b>
Catg 9 Terry Towels	114	94	21.28
<b>Pakistan</b>			
Catg 20 Bed linen	263	212	24.06
Cat 39 Table, Toilet & Kitchen Linen	26	27	3.70
<b>Total</b>	<b>289</b>	<b>239</b>	<b>20.92</b>
Catg 9 Terry Towels	72	63	14.29

(Source: Texprocil Newsletter - January 2008)

In the EU market China dominates in home textiles as per the available statistics for the period Jan-Aug 2007. India is lagging behind in the competition in EU market. Pakistan is also lagging behind China in its export trade with EU.

### Bed Linen

EU imports of Cotton Bed linen from China grew by 27.08% while imports from India grew by 4.30%. Pakistan's exports grew by 24.06% which is almost near to China's exports growth in this category.

### Table, Toilet and Kitchen Linen

EU's total imports under this category stood at 261 million euros during Jan-Aug 2007 with a growth of 3.16% compared to last year of 253 million euros. China's exports surged by 24% and India's exports increased by 6.58% whereas Pakistan's exports declined by 3.70%.

### Terry Towels

Under this category, while Extra EU imports grew by 8.32%, China grew by 21.28% and Pakistan's exports grew by 14.29%. Though India's exports of terry towels to EU grew by 27.91% more than its competitors like China and Pakistan, the share in exports was only 10% against Pakistan's share of 13% and China's share of 21%

It is evident from the above table that India has a lot of scope for improvement in Catg.20 i.e. Bed Linen. Though India could supercede Pakistan in Catg.39 there is still a vast potential in the EU market to be explored in the terry towels segment.

(Source: Texprocil Newsletter - January 2008)

## GOVERNMENT INITIATIVES / POLICIES

Post liberalization, the Indian government has removed many of the barriers hindering the textile sector's growth. To fulfill the potential of the country's apparel-export industry, the government needs to eliminate remaining restrictions that perpetuate the lack of scale and poor operational and organizational performance of local manufacturers and that discourage investments, particularly foreign direct investment. Some of the important initiatives taken by the Government of India in this sector are as follows:

### (i) New Textile Policy

The Government of India in November 2000 announced the NTP – 2000, thereby replacing the previous Textile Policy of 1985. The main objective of the NTP – 2000 is to enable the industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. It also de-reserved the garments sector from the Small Scale Industry reservation list and lifted the foreign direct investment cap of 24 per cent. The NTP – 2000 took note of the new challenges and opportunities presented by the changing global environment, particularly the initiation of the process of gradual phasing out of quantitative restrictions on imports and the lowering of tariff levels for an integration of the world textile and clothing markets.

One of the main objectives of this policy announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing.

*Vide* the NTP – 2000 the Government has conveyed its commitment towards providing a conducive environment to enable the Indian textile industry to realise its full potential, achieve global excellence, and fulfil its obligation to different.

(Source: Ministry of Textiles)

### (ii) The Technology Upgradation Fund Scheme (TUFS)



TUFS is the “flagship” Scheme of the Ministry of Textiles which aims at making available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-of-the-art technology to enhance their viability and competitiveness in the domestic as well as international markets. To meet the challenges of the post quota regime, the industry is required to become competitive, cost effective and quality oriented. With this background, Government of India has launched a Technology Upgradation fund scheme (TUFS) for Textiles and Jute Industries, with effect from 01.04.1999 for a period of 5 years, i.e., up to 31.03.2004. Further the same was continued in the Eleventh Five Year plan (as mentioned in the budget speech for the year 2007-08). The Benefits under the scheme are as follows:

- 5% interest reimbursement of the normal interest charged by the lending agency on RTL.  
or
- 5% exchange fluctuation (interest & repayment) from the base rate on FCL.  
or
- 15% credit linked capital subsidy for SSI sector.  
or
- 20% credit linked capital subsidy for powerloom sector (An option for ‘front ended’ subsidy provided w.e.f. 1st October, 2005).  
or
- 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.

The two principal schemes of the Ministry of Textiles - the Scheme for Integrated Textile Parks (SITP) and the Technology Upgradation Fund (TUF) - will be continued in the Eleventh Plan period. 30 integrated textile parks have been approved and 20 units in four parks have commenced production. It is proposed to maintain the provision for SITP at Rs.450 crore in 2008-09. The provision for TUF will be increased from Rs.911 crore in the current year (2007-08) to Rs.1,090 crore in 2008-09.

(Source: Ministry of Textiles)

#### **(iii) Export Promotion Capital Goods (EPCG) Scheme**

The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy, which came into effect on September 1, 2004. The Foreign Trade Policy also permits EPCG license holders to opt for technological upgradation for their existing capital goods imported under the EPCG license, subject to certain prescribed conditions.

(Source: Director General of Foreign Trade)

#### **(iv) Liberalization of FDI Policy**

India has most liberal and transparent policies in Foreign Direct Investment (FDI) amongst emerging countries. India is a promising destination for FDI in the textile sector. 100% FDI is allowed in the textile sector under the automatic route. FDI in sectors to the extent permitted under automatic route does not require any prior approval either by the Government of India or Reserve Bank of India (RBI). The investors are only required to notify the Regional Office concerned of RBI within 30 days of receipt of inward remittance.

(Source: Ministry of Textiles)

#### **(v) Duty Entitlement Pass Book (DEPB) Scheme**

DEPB credit rates have been prescribed for 83 textiles and clothing products. The scheme aims to neutralise the incident of basic and special custom duty on the import content of the export product, by way of grant of duty credit against the export product at specified rates. However, these export incentives may be reviewed shortly to make them WTO – compatible. (Source: Ministry of Textiles)

#### **(vi) Setting up of modern laboratories**

The Ministry of Textiles has assisted the Textile Committee in setting up of modern textile laboratories to ensure that the textiles exported from the country meet all international environmental standards.

(Source: Ministry of Textiles)

#### **(vii) Scheme for Integrated Textiles Parks (SITP)**

The ‘Scheme for Integrated Textile Parks (SITP)’ was launched by merging two schemes, namely, Apparel Parks for Exports Scheme (APES) and the Textiles Centre Infrastructure Development Scheme (TCIDS). Primary objective of the SITP is to provide the industry with world-class infrastructure facilities for setting up their textile units. The scheme would facilitate textile units to meet international environmental and social standards. SITP would create new textile parks of international standards at potential



growth centres. This scheme envisages engaging of a panel of professional agencies for project identification and execution. Each Integrated Textile Park (ITP) would normally have 50 units. The number of entrepreneurs and the resultant investments in each ITP could vary from project to project. However, aggregate investment in land, factory buildings and Plant and Machinery by the entrepreneurs in a Park shall be atleast twice the cost of common infrastructure proposed for the Park. The ITPs may also be set up in the Special Economic Zones (SEZs), in which case the special provisions of SEZs would be applicable for them. In case these are set up outside SEZs, proposal may be pursued with the Ministry of Commerce and Industry to declare the ITP as SEZ, if it is so desired. (Source: Ministry of Textiles)

40 textile parks are being set up under the Scheme SITP which will attract an investment of US\$ 4.38 billion, create employment both direct and indirect for 908,000 workers and produce goods worth US\$ 7.77 billion annually. (Source: www.ibef.org)

**(viii) Organization of buyer-seller meets / fairs in the country as well as abroad**

The Textile Export Promotion Councils have been regularly conducting seminars, organizing buyer seller meets, participating in exhibitions abroad to promote textile exports. Besides, events like TEXSTYLES India, Indian Handicrafts and Gift Fair, India International Garment Fair are also organized in the country to provide an exposition of India's capabilities in textile and clothing sectors to the visiting foreign buyers. (Source: Ministry of Textiles)

**(ix) The Union Budgets** over the years have announced various measures that impact the textile industry. The Union Budget for 2008-09:

- The two principal schemes of the Ministry of Textiles - the Scheme for Integrated Textile Parks (SITP) and the Technology Upgradation Fund (TUF) - will be continued in the Eleventh Plan period. 30 integrated textile parks have been approved and 20 units in four parks have commenced production. It is proposed to maintain the provision for SITP at Rs.450 crore in 2008-09. The provision for TUF will be increased from Rs.911 crore in the current year (2007-08) to Rs.1,090 crore in 2008-09.
- The cluster approach to the development of the handloom sector has made rapid progress. 250 clusters are being developed. 443 yarn banks have been established. By March 2008, over 17 lac families of weavers will be covered under the health insurance scheme. It is proposed to increase the allocation to Rs.340 crore in 2008-09.
- In order to scale up both infrastructure and production, it is proposed to take up six centres for development as mega-clusters. Varanasi and Sibsagar will be taken up for handlooms, Bhiwandi and Erode for powerlooms, and Narsapur and Moradabad for handicrafts. Each mega-cluster will require about Rs.70 crore. It is proposed to start the process with an initial provision of Rs.100 crore in 2008-09.
- National Calamity Contingent Duty (NCCD) of 1 percent removed on polyester filament yarn.
- Naptha for use in the manufacture of polymers will be subjected to normal rate of 5 percent Custom Duty.
- General CENVAT rate on all goods reduced from 16 percent to 14 percent.
- Central Sales Tax rate has been reduced from 3 percent to 2 percent from April 1, 2008.

(Source: 2008-09 Budget, [www.indiabudget.nic.in](http://www.indiabudget.nic.in))

- In 2009-2010's budget, there is no change in the mean Cenvat rate of 8% ad valorem. However, the concessional excise duty rate of 4% has been increased to 8% on all textile goods except of textile goods made of pure cotton, not containing any other textile material has been increased from nil to 4%. However, the said goods would continue to be fully exempt from excise duty subject to non-availment of Cenvat credit on inputs.

(Source: 2009-10 Budget, [www.indiabudget.nic.in](http://www.indiabudget.nic.in))

**(x) Government Initiatives for Textile Processing Sector**

The textiles-processing segment of the Indian textile industry is highly fragmented and is broadly divided into four segments:

- i) Hand processing units.
- ii) Hand processing units with certain exempted power processes.
- iii) Independent power processing units.
- iv) Processing facilities attached to composite or semi-composite mills.

Government has identified processing as a critical segment. The National Textiles Policy, 2000 envisages:

- Setting up of modern processing units, which would meet the international quality and environmental norms.
- Expansion of the network of CAD / CAM, computerized color matching and testing facilities, particularly in the clusters of the decentralised textiles centers.
- Extending necessary support to individual units in achieving ISO 9000 (quality) and ISO - 14000 (environment) standard



Giving a thrust to development of eco-friendly dyes, including natural and vegetable dyes and on energy conservation. Globally the environmental issues are increasingly dominating the textiles processing industry. In view of this, and as per mandate of National Textiles Policy, 2000, the important steps taken by Government to boost the high-tech investment in processing sector include-

- i. A Credit linked capital subsidy @10% under Technology Upgradation Fund Scheme (TUFS), in addition to the existing 5% interest reimbursement.
- ii. The rate of depreciation for investment in high-tech processing machines increased from 25% to 50%.
- iii. The import duty on specified hi-tech processing machines has been brought down to 5%. The import of such machines permitted under OGL.
- iv. Hi-tech processing machines are permitted under zero duty EPCG Scheme.
- v. In order to take care of quality requirements and facilitate eco-friendly production of processed fabric, eco-testing and quality testing facilities have been created throughout the country with an investment of over Rs.60 crores so far.

In current times of a global meltdown, the government has come out with an economic stimulus package for the textile industry. This includes:

- Additional allocation of US\$ 285.66 million to clear the entire backlog in the TUF Scheme, which would enhance cash flow of the exporters.
- Extension of interest rate subvention of 2 per cent on pre and post shipment credit
- Additional fund of US\$ 224.42 million for refund of terminal excise duty

In addition to the initiatives discussed above, other steps are being taken to fuel the growth of Indian textile market including setting up of Apparel International Mart in Gurgaon, which will provide world class facility to apparel exporters to showcase their products and to serve as a one-stop-shop for reputed international buyers. Also the Indian Textile Plaza is being built in Ahmedabad to encourage exports to overseas markets. (Source: [www.ibef.org](http://www.ibef.org))

#### **Growth Drivers for Domestic Market:**

1. Domestic market factors: growth of Indian economy, increase in domestic consumption, changing consumer behavior, growth of organized retail and no effect of global economic slowdown
2. India has a big production base with abundant raw material, low cost manpower, coexistence of big organized players & SME'S and government focus on textiles sector
3. India also enjoys a globally competitive landscape with shift in production base from EU and US and considered the best alternative to china
4. Drivers specific to home textile sector like boom in housing sector, growth of institutional consumers in India, hospitality sector, healthcare sector and most large format retailers opened specialty stores.



## BUSINESS OVERVIEW

Our Company is one of the few textile manufacturers with niche focus on Home Linen Products of both, wider width and narrow width. In addition to the sales in the domestic markets, our products are being exported to markets in more than twenty countries (directly and indirectly). Our current manufacturing capacity is 136.50 million metres per annum with an average capacity utilization of 92%. Our existing facility is located at Changodar near Ahmedabad in Gujarat. We are enhancing our capacities to 169.50 million metres per annum in order to meet the expanding demand and further consolidate our position in the home linen market. The expansion project is being implemented at the Proposed Textile SEZ being promoted by us near Ahmedabad in Gujarat.

We have been certified as conforming to the Quality Management System Standard ISO 9001:2008 covering the supply of dyed and printed fabrics. Further, our existing manufacturing facility at Plot No. 104, 105 and 106, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zydus Cadila, Near Prakash Solvent, Changodar, Ahmedabad 382213, Gujarat, India, has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for articles, namely bed sets (made-ups), woven fabrics made out of 100% cotton and polyester, bleached, reactive dyed, reactive printed, dispersed dyed and dispersed printed and pigment printed (inclusive sewing threads, buttons and zippers), produced by using material certified according to Oeko-Tex Standard 100. Further, after implementation of the Project, we also intend to file applications for obtaining similar certifications for our Proposed Manufacturing Facility.

In order to strengthen our business presence, we have undertaken the following key business initiatives and signed agreements / Memorandum of Understanding (MoU) with the following parties:-

1. Our Company has received permission from International Development LLC for using and marketing the brand “Lucy B Linens” for Home Linen Products in India and other pertinent countries.
2. C. A. Patel Textiles Private Limited for marketing our products in the domestic market

We have been constantly making an endeavor to create new and more attractive designs / patterns on our products in order to have an advantage over other players in the market. We have a team of designers who develop the indicative designs received from customers and also develop independent designs and we have an extensive library of designs.

The turnover and profit after tax of our Company for the period ended December 31, 2009 and FY ended March 31, 2009, 2008, 2007 and 2006 are as under :-

Particulars	Period ended December 31, 2009	FY 2009	FY 2008	FY 2007	(Rs. In Lacs)
					FY 2006
Turnover	1,21,682.50	1,17,058.11	65,802.30	39,269.77	196.89
EBIDTA	12,625.75	11,870.20	8,788.67	4,861.22	7.54
Profit / (Loss) After Tax	5,109.56	4,146.05	3824.89	2,175.09	41.47

Notes :-

- (i) The numbers of turnover and profit after tax for FY 2006 are not comparable with the figures for FY 2007 and FY 2008 because (a) our Company commenced its operations only in February 2006, and (b) the textile division of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) was demerged into our Company on August 17, 2007 with retrospective effect from April 1, 2006.

Our Company is eligible for benefits under the Technology Upgradation Funds Scheme (TUFS) of the Government of India. Please refer chapters titled “Industry Overview” and “Key Industry Regulations and Policies” beginning on pages 84 and 116 respectively, of the Red Herring Prospectus. Further, the Proposed Manufacturing Facility to be set up by our Company in the Proposed Textile SEZ is also eligible for benefits under the SEZ Act.

### **Our evolution**

Our Promoter, Mr. Pradipkumar Karia, has over two decades of business experience in textiles with specific focus on the home linen business in the last fifteen years. In the year 1985, he commenced business as a supplier of various textile products in the domestic market. In the year 1993, M/s. Anu Impex was established as a partnership firm to carry out the business of supply of Home Linen Products to merchant exporters. With the objective of timely delivery, consistent quality and competitive pricing, it outsourced the procurement of grey cloth and processing of the grey cloth, while the processed fabric was stitched at its own



stitching and packing unit. Another partnership firm under the name and style of M/s. Pradip Exports was established in the year 1995 to carry on similar business. Its focus was solely on exports and operations were wholly outsourced, with stitching being carried out by M/s. Anu Impex. M/s. Anu Impex has ceased to carry on business as on date. In FY 2000, Pradip Overseas Private Limited (POPL) (now Pradip Enterprises Limited) was incorporated. It commenced business in FY 2004 when it acquired a defunct textile manufacturing unit at Changodar, Ahmedabad from a bank through an auction process set up and operationalized that unit to manufacture Narrow Width Home Linen Products, with an installed capacity of 22 million metres per annum of Narrow Width Home Linen Products. This company also commenced the business of trading in agro-products during FY 2005. POPL was converted to a public limited company during the FY 2007.

In the year 2005, the textile sector underwent a major change, on account of global factors like elimination of quotas under the WTO Agreement on Textiles and Clothing (ATC) and the consequent increase in export opportunities, coupled with the growth of the Indian economy, primarily the urban areas. These factors operated to increase the demand for wider width fabrics. To service this demand, our Promoters, established a partnership firm under the name and style of M/s. Vishal Textiles, invested in a greenfield wider width manufacturing facility at Changodar near Ahmedabad in Gujarat which became operational in February 2006. Its name was changed to M/s Chetan Textiles in FY 2006 and in the same year, it was converted into a private limited company under Part IX of the Act, bearing the name Chetan Textiles Private Limited. The initial installed capacity was 24.96 million metres per annum of wider width Home Linen Products.

With a view to consolidate the Narrow Width and Wider Width Home Linen Product manufacturing activities in one corporate entity, the “textile division” (as stated in the order of the High Court of Gujarat dated August 17, 2007, effective from April 1, 2006) of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), comprising of the Narrow Width Home Linen Manufacturing Unit, was demerged into Chetan Textiles Limited, and the name of erstwhile Pradip Overseas Limited was changed to Pradip Enterprises Limited with effect from September 24, 2007. Also, the name of the Chetan Textiles Limited was changed to Pradip Overseas Limited with effect from October 1, 2007, with a view to enjoy the continued recognition of this name among its customers. Pradip Enterprises Limited is continuing the activity of trading in agro-products.

Acquisition of defunct textile manufacturing Unit at Changodar, Ahmedabad by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), and setting up and operationalization of that Unit to manufacture Narrow Width Home Linen Products.

### **Our Mission**

Our Company aims to be a leading manufacturer in the global Home Linen Products market by creating global capacities through value chain linkages to cater to requirements of existing and potential clients with focus on large retail chains and institutional buyers and maximize return on investments.

### **Location of the Project**

#### **Existing Unit**

The existing manufacturing facilities are located at Changodar near Ahmedabad in Gujarat and are on the Sarkhej-Bavla highway. The existing unit has easy access to road and rail transport enabling the movement of materials and finished products.

#### **Proposed Unit**

The proposed Project will be located in the Proposed Textile SEZ to be developed by our Company at NH8A, near village Bhamasra, Taluka Bavla, dist. Ahmedabad in Gujarat. We have acquired approximately 8,45,534 Sq. Mt. by way of sale deeds and lease (both held in our name and on our behalf) and 3,67,816 Sq. Mt. by way of MOU's, pending the execution of final sale deeds out of the total acquired land of 12,13,350 Sq. Mt. for the proposed SEZ. The expansion project will have the advantage of being situated with the sector specific SEZ and thus have easy access to various inputs required for its facilities. In addition, the existing Unit at Changodar will also be able to derive the benefits of being in close proximity to the Proposed Textile SEZ for sourcing its requirements. Our existing Unit as well as the proposed Unit at Bhamasra can meet each other's requirements.

The Proposed Textile SEZ site has access to sources of water (both underground and canal water), skilled and semi skilled labour and power from Gujarat Electricity Board.

### **Plant and Machinery**

#### **Existing Unit**



The plant and machinery installed at our existing Unit comprise of singeing machines, desizing and scouring machines, continuous bleaching and washing range, mercerizing Unit, continuous dyeing range, printing machines, stitching machines, folding machines, packaging machines, designing unit. The Unit also has equipment for testing and quality checks.

### **Proposed Unit**

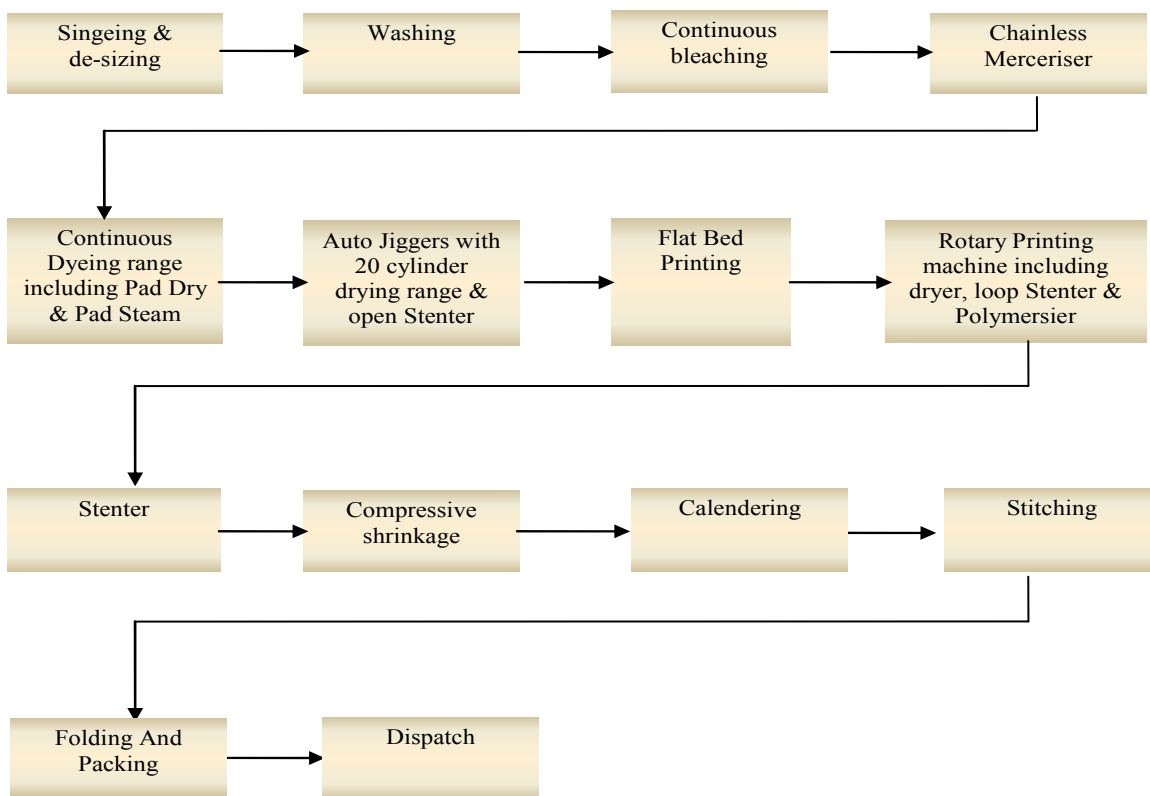
The details of the plant and machinery proposed to be installed for the new Project have been mentioned under the chapter titled “Objects of the Issue” beginning on page 57 of the Red Herring Prospectus.

### **Technology**

The manufacturing process of converting the grey material to finished products does not involve use of any specific technology except for use of requisite modern machinery. We intend to install and use modern machines for the Proposed Manufacturing Facility.

### **Process**

The process flow diagram is as given under:



The manufacturing process as shown in the above diagram is explained below:-

#### **• Singeing**

Singeing is a process in which all sorts of surface fibers are removed. It is basically a preparatory machine. All the grey cloth requires Singeing and Scouring before being sent for further processing. For the Proposed Manufacturing Facility in the Proposed Textile SEZ the fabric requirement is expected to be 1.00 lac metre per day. The total requirement for existing Units and the Proposed Manufacturing Facility would be around 4 Lac metre per day.

#### **• Desizing and Scouring**

Desizing process involves removing the additives used during weaving. Sizing additives take many forms. Starch and wax with water soluble modified starches, PVA, acrylics and sometimes mixture of any or all are used. These must be removed, therefore, desizing is an essential step in fabric preparation. Scouring is a process where oil, grease, fat, waxes and brushing cotton seeds are removed from the grey cloth.



- **Continuous Bleaching and Washing Range**

Bleaching is a process which increases absorbency of the cloth, and reflectance for pale dye shades. This is one of the essential processes involved in manufacturing of our products.

- **Mercerizing**

Mercerizing increases luster, strength, dye affinity and dimensional stability.

- **Continuous Dyeing Range**

The dyeing unit comprises of the pad/dry, infra-red pre drying, Thermosol, cooling, chemical padder, steamer, wash oxidised, soap and rinse, final dyeing, batch and fold.

- **Flat Bed Printing Range**

Flat bed printing range suitable to print upto 3200 mm wide fabric with 8 to 12 colour printing is used.

- **Rotary Printing Range**

Zimmer/ Reggiani printing range suitable to print 3200 mm wide fabric with 8 to 12 colour printing ranging from 0.3m to 1.6m repeat in one single colour is used for finer printing.

- **Print Dryer**

The Rotary screen-printing machine is connected to dryer in continuous manner so that wet cloth is immediately dried after printing. This is important for the reason that if wet cloth is stored after printing then designs /colors get tampered/damaged. Drying is done by either using steam or heated thermic oil by means of heat exchangers located near fans of dryer.

- **Print Steamer (Loopager)**

After printing, colors are to be fixed on fabric, which is done by using saturated steam.

- **Soaper and Dryer**

Loose colour remaining on fabrics after printing has to be washed out to achieve fastness properties and proper brilliance of prints, which is done by soaping the cloth, and then it is washed and dried in continuous machine.

- **Stenter**

Stenter is a finishing machine which dries up the cloth and removes the dimensional instability that occurs during the processing. The final finishing of fabric is always done on a Stenter. The Stenters are normally provided with a padder, a bow and a weft straightener device. The cloth to be finished passes through the padder, where finishing chemicals are added and goes through bow and weft correction device before entering the drying chamber. It can be either pad or dip stenter. The pair chains hold the cloth horizontally. The process is pad-dry and drying is achieved by blowing hot air in the stenter chamber. The stenter is the most important machine in the finishing.

- **Calendaring**

Calendaring is a process of drying and giving the finishing effect. While calendaring some of the additives are added for giving more value addition such as enzyme wash to the cloth. All the lab tests used after the Stenter are being used after calendaring. Few more tests are conducted as per the customer demand in the lab after finishing operation is completed. These are, oil repellency, soil release, water repellency, water resistance, wrinkle recovery, formaldehyde, durable press test.

- **Checking and Folding**

Once the process is complete with the desired result, the entire fabric is checked before the folding. The folding of the cloth, in small batches is prepared prior to transferring it to stitching section. The automatic folding machines are used for this purpose.

- **Stitching**

The stitching operation is carried out according to the requirement of the buyer. Stitching operation consists of cutting the fabric with the help of the electric operated saw as per the specification. The cloth is distributed among the sewing machines. We have 150 nos. JUKII make sewing machine for the specified sewing. The fabric is transferred to various other operations, like button fixing, chains and other similar operations. Once the sewing related functions are completed, the fabric is transferred for the packing section. Here the packing of the finished goods is carried out which includes the packing of fabric as per the specifications, inserting inlays, packing in the specified packing, labeling and further packing in the cardboard box. The specified barcode and other details





on the box are done at the stitching and packing section itself. The packed material is then sent to the finished product store for dispatching the same to the designated destination. After stitching each set or piece is checked for stitching defects and trimming of loose threads etc. Wherever possible the defective sets are re-stitched. After approval the piece is sent for ironing.

- **Stitching, folding and Packaging plant**

To maintain the high quality of stitching and packing and to reduce the labour component, it has been decided to procure the ultra modern stitching folding and packaging plant for the proposed new project.

### **Conceptualization and Development of Design**

There is a continuous process of conceptualization and development of design in the Home Linen Products as per the liking and changing trends of the user's habits. Our design team continuously works to make innovative designs. This process is undertaken with tastes, trends, regions and habits of the target customers.

Our Company is well equipped with an in-house design studio to prepare innovative designs for our customers. Normally, the designs are provided by the major customers from Europe and USA along with the fabric specifications. After receiving the designs necessary changes/upgradations are made in our design studio and sent back with the fabric sample. The manufacturing of the product commences once the sample fabric is approved and confirmed order is received.

In addition, our Company designs its own range of Home Linen Products for domestic sale. Our Company develops the designs as per the demand and trends of the customers. Initially, few samples are test marketed through big stores and after receiving feedback from customers, the full fledged production takes place.

### **Sampling**

Sampling is done by way of procuring small quantities of grey fabric of requisite quality and getting the design printed on it. Once the sampling is satisfactorily completed, the actual sets of different sizes are cut and sewed at our own sampling unit. These sets are then used for launch of the products at appropriate forum. Once a design/pattern is approved and interest is shown by the customers, the price negotiation, quantities, delivery schedules, terms of payment are decided and a purchase order confirmation is obtained from the customer.

### **Grey inspection and checking**

Every supply of grey cloth needs a thorough check for quality of the material. The following procedure is followed by us for checking of grey material:-

- Checking of damage made during the transit
- Checking of quantity supplied
- Checking of count, reed and pick
- Checking of GSM of the cloth
- Checking of width of the grey
- Checking of knots in every meter of grey
- Checking of any deformity of construction of grey
- Checking of any unusual cuts in the cloth

After conducting all the aforementioned tests, the full and final payment to the vendor is released. These checks are essential before further processing of the grey cloth.

### **Quality control and tests at each stage at the manufacturing process:**

After passing through the Singeing and Scouring process, the fabric undergoes the pilling test to determine the pilling and fuzzing characteristics of the fabric. Thereafter another test is conducted to determine the abrasion and pilling resistance of the fabric. If the sample fails this test as per specifications provided by the buyer then the grey cloth is sent back for Singeing.

De-sizing is the next step after which the TEGAWA test is conducted in a lab to check the presence of starch and other substances in the grey cloth and in the event the material fails this test then it is required to undergo the process of De-sizing.

The absorbency test, whiteness test and ph testing are carried out in the lab after completion of the processes of bleaching, washing and drying.



Subsequent to the Mercerizing process the fabric undergoes pH testing and TWEDDEL and Barium tests to check the concentration of caustic in the fabric. The operation is repeated in case the fabric fails the tests.

Post completion of the dyeing process, a number of tests are carried out to test the colour matching of the sample as per the buyer's demand and colour fastening of the cloth. The dyeing process has to be repeated in the event the fabric fails these tests.

After completion of printing on the fabric, the tests relating to colour matching and fastening are carried out once again.

Once the Stenting process is completed, lab tests are conducted for carrying out the shrinkage tests, tensile strengths and tear strengths of the fabric.

#### **Collaborations / Performance Guarantee / Assistance in Marketing by collaborators**

Our Company has not entered into any technical or other collaboration agreements/performance guarantee/assistance in marketing by collaborators as on date.

#### **Infrastructural facilities**

##### **Our Raw Material**

##### ***Grey Cloth***

Grey cloth is the primary input required for manufacturing our products and constitutes around 80% of our turnover. Our grey requirements depend on the quality of our end products for domestic and international markets. Our Company has developed a healthy and long term relationship with the quality suppliers of grey cloth from Western and Southern India from whom we source our current requirements. Our procurement system ensures that the grey supplied to us meets our specifications and requirements including quality. Based on our feedback and interaction with suppliers, we believe that these suppliers have adopted standards for quality and inspection suitable to our needs. Our procurement of grey cloth is generally done on a back-to-back basis linked to our order book and delivery schedules. This helps in reducing the adverse affect on price fluctuations and delays in delivery. As the Proposed Manufacturing Facility is to be implemented in the Proposed Textile SEZ, we intend to source our future requirements primarily from existing suppliers and also from units to be set up within the Proposed Textile SEZ.

##### ***Power***

Our Company presently requires 1700 KVA of power which is met from Gujarat Electricity Board. GEB has granted special permission to us to run our existing Unit for all seven days in a week on account of our export performance. In addition we have a diesel generating set with a capacity of 500 KVA. For the Proposed Manufacturing Facility at Proposed Textile SEZ Site, Company would require approximately 1.5 MW power and would apply for same in due course of time. A 500 KVA DG set would be installed as a power backup for the proposed manufacturing plant at Proposed Textile SEZ.

##### ***Water***

At present we source water from three borewells in the premises of our Company which meets the requirements of our Company. For the Proposed Manufacturing Facility at Proposed Textile SEZ site, the requirement of water will be met from the borewells and the Narmada Canal water. The daily requirement of the new facility would be approximately 2000 Cubic Meter ("CUM") per day, which will be met from the following arrangements:

- Supply from Narmada Canal – 600 CUM per Day.
- Rain Water Harvesting- 100 CUM per day
- Borewells on the project site – 600 CUM per day
- Recycling of waste water through complete RO process – 700 CUM per day

Our Company has initiated the process of obtaining necessary clearances from concerned departments for water supply.

##### ***Steam***

The steam required for the processing would be generated from lignite/Coal fired boilers. In the existing facilities our Company is having three boilers of capacities 10 Tons, 6 Tons and 5 Tons. The Proposed Manufacturing Facility will have a 10 Ton boiler to meet its demand. The applications for the necessary permissions / approvals shall be made to the relevant authorities as and when progress is made for implementation of the Proposed Manufacturing Facility.



### **Labour**

The skilled and semi skilled labour required for the existing Unit are sourced locally and abundant labour are available. The requirement of labour for the Proposed Manufacturing Facility shall also be sourced locally.

### **Effluent Treatment Plant**

Our Company has a full fledged Effluent Treatment Plant (“ETP”) at the existing Unit. The salient features of the existing ETP are as under:

- Waste water treatment Scheme
- Oil and Grease Trap
- Collection/equalization tank
- Flash Mixer
- Primary Clarifier
- Advent Integral System
- Polishing treatment
- Reverse Osmosis System
- Multi-stage Evaporator

The ETP for the Proposed Manufacturing Facility shall be designed on the similar lines, and after lab trials of the effluent generated the necessary changes shall be carried out in the ETP.

### **Dyes and Chemicals**

The other raw materials required for our current and expanded capacities include dyes and chemicals required for printing the colour designs on the processed grey cloth. These materials are expected to be sourced from the local and international suppliers and are available in adequate quantities.

### **Manpower**

The following table sets out the break-up of our employees categorized by our various locations and job functions as on December 31, 2009:

<b>Particulars</b>	<b>Permanent</b>	<b>Contract</b>	<b>Total Staff</b>
<b>Registered Office</b>			
A 601, Narnarayan Complex, Near Swastik Cross Road, Navrangpura, Ahmedabad 380 009	8	0	8
<b>Present Industrial Unit</b>			
Unit – I, Division-I- Plot No. 104/105, Village Chancharwadi, Changodar, Ahmedabad	62	318	380
Unit – I, Division-II- Plot No. 106, Village Chancharwadi, Changodar, Ahmedabad	39	402	441
<b>Total</b>	<b>109</b>	<b>720</b>	<b>829</b>

### **Products**

#### **Nature of the Products, end users.**

We manufacture a range of Home Linen Products which include the following :-

- 1) Flat and fitted sheets for double and single beds both in Narrow Width and Wider Width.
- 2) Quilt Covers and Pillow covers
- 3) Mattress Covers
- 4) Quilts Poly/Cotton Filled
- 5) Curtains

#### **Marketing and approach to marketing**

Our business is completely order driven and our production scheduling is normally on a back-to-back basis based on orders received. In FY 2009, 52.50% of our sales / turnover were in the domestic market and 47.50% were through exports (including Indirect Exports). Our marketing set up has separate teams focusing on domestic and international sales.



Our domestic sales are primarily to

- distributors / agents
- large retail chains
- institutional buyers
- standalone stores
- government agencies / departments

A bulk of our international sales are discussed and negotiated at some of the major international trade fairs including “Hem-Textile Fair” held annually in Germany. Other than through trade fairs, we also focus on acquiring new clients through distributors / agents including those who are also based in India (in case of Indirect Exports). (Our Indirect Exports for FY 2009 were Rs. 51,515.48 Lacs, comprising of 92.65% of total exports and 44.01% of turnover).

Existing and potential clients approach us with their indicative requirements and we assist them in formulating the specifications for their orders including designs, processes, quality of cloth, delivery schedules among others. These factors are taken into consideration for negotiating and finalizing the orders.

### **Export Obligations**

We have obtained licences under Export Promotion Capital Goods Scheme (EPCG). As per the licensing requirements under the said scheme, we are required to export goods of a defined amount, failing which we have to make payment to the Government of India equivalent to the duty benefit enjoyed by us under the said scheme along with interest thereon. Since our Proposed Manufacturing Facility will be implemented in the Proposed Textile SEZ, we do not currently envisage any export obligations in respect of the plant and machinery that we intend to import for the same. However, our Proposed Manufacturing Facility in the Proposed Textile SEZ would have export obligations as applicable to Unit situated in SEZ from time to time.

### **Top Clientele**

38.23% of our revenue for the FY 2009 came from our top ten customers. Further, domestic sales accounted for 52.50% of our total turnover and export sales (including direct as well as indirect exports) accounted for 47.50% of our total turnover in FY 2009.

### **Business Strategy**

Our Company’s growth has largely been driven by our existing order based business model, combination of Narrow and Wider Width Products, scale of operations, quality of our products and focus on building a strong supply chain. We intend to capitalize on these strengths and other business initiatives as detailed hereunder to drive our business growth and meet our mission statement of being a leading manufacturer in the global Home Linen Products market. The key elements of our strategy are described below:

#### ***Expand our global footprint***

Through a combination of increased capacities, reduced costs, wider range of products adhering to global standards, marketing initiatives, competitive pricing and more efficient use of resources, we intend to expand our global footprint and become a preferred supplier for large format international retail chains and institutions.

#### ***Focusing on value added products***

With the well balanced Narrow and Wider Width manufacturing facilities, our Company will be technically capable to focus on value added products such as quilts and organic cotton Home Linen Products. These value added products in the Home Linen Products segment do not normally have high volumes but typically command premium pricing which would have a positive impact on our margins. Further, we also have a minor presence in apparels, dress materials and bottom wear fabrics and based on opportunities (including premium pricing) which may arise primarily in the international market, we would expand our presence further in these areas. Other opportunity areas in value added products include industrial textiles. Our Company’s Proposed Textile SEZ is expected to attract small and medium enterprises to invest in the facilities, which are complimentary to our Company’s strategy of expanding our product portfolio.

#### ***Focus on building market access***

Our Company aims to grow business in all our current markets i.e. India, Europe and North America and also intends to explore markets in Middle East, East Africa and Russia, to meet enhanced capacities. Some of the steps taken by us to build greater market access and more effective customer relationship are as under:



- Company has received permission from International Development LLC, Tampa, FL, USA (IDL) for using and marketing the brand “Lucy B Linens” for Home Linen Products in India and other pertinent countries.
- We have appointed M/s. C.A. Patel Textiles Private Limited for distribution of our Home Linen Products in Indian market through its retail network comprising of more than 2,000 retailers across the country.

### ***Setting up a Textile SEZ***

We have received final approval by Ministry of Commerce and Industry , Department of Commerce (SEZ Section) in favour of our Company for setting up of a sector specific Special Economic Zone for Textile at Village Bhamasra, Taluka Bawla, District Ahmedabad, Gujarat (that is, the Proposed Textile SEZ) *vide* letter of approval dated November 24, 2008 bearing no. F.1/267/2007-SEZ. The salient terms and conditions in relation to the said approval are as follows:

1. Our Company shall develop, operate and maintain the SEZ in terms of Special Economic Zones Act, 2005;
2. Our Company shall obtain the required approval from various statutory authorities under relevant statutes and regulations of the Government of India and the State Government and the local bodies;
3. Our Company shall make adequate provision for rehabilitation of the displaced persons;
4. The project shall be implemented and operated in terms of the Special Economic Zones Act, 2005 and the rules and orders made thereunder;
5. Our Company shall conform to the environmental requirements;
6. Our Company shall abide by the local laws, rules, regulations or bye-laws in regard to area planning, sewerage disposal, pollution control, labour laws and the like as maybe locally applicable;
7. Our Company shall raise the required funds for the project. External commercial borrowing, if any, will be as per applicable legal guidelines;
8. This approval is valid for a period of three years within which time our Company shall implement the project. The project implementation progress report will be submitted to Government of India every six months;
9. This approval is liable to be suspended in case of violation of any of the terms and conditions stipulated herein;
10. The operation and maintenance of the facilities will be made as per the standards specified in the proposal and to the satisfaction of the users;
11. Our Company shall maintain adequate manpower to provide the facilities;
12. The user charges will be finalized in consultation with the Development Commissioner and the users;
13. Our Company shall obtain the approval of Board for specific activities proposed to be undertaken for development, operation and maintenance of SEZ. Based on activities approved by the Board, our Company shall be entitled for duty free import or domestic procurement of goods for the approved activities under rule 10 after the SEZ has been notified;
14. The authorized operations shall be carried out in terms of the parameters laid down in the Special Economic Zones Act, 2005 and the rules and orders made there-under and in accordance with the proposal approved herein;
15. No duty free goods shall be available for personal use of, or consumption by officials, workers staff or owners of the Unit or our Company;
16. Applications for extensions are not normally considered. Any extension application may be considered on merits, if submitted six months before expiry of approval period.

A copy of this letter is available for inspection in the manner stated in the chapter titled “Material Contracts and Documents for Inspection” beginning on page 301 of the Red Herring Prospectus.

Setting up the Proposed Textile SEZ has several strategic benefits for our Company which include the following:-

- (a) Reduction in the cost and time involved in transporting inputs required for our manufacturing facilities as our facilities would be in close proximity to the units expected to be situated in the Proposed Textile SEZ from where we intend to source our requirement of grey cloth and certain other inputs.
- (b) Better working capital management on account of potential reduction in time lag between procuring orders and dispatch of finished products.
- (c) We can derive the advantage of sourcing grey cloth and certain other inputs from units expected to be situated in the Proposed Textile SEZ at competitive pricing as these entities may also be entitled to certain tax benefits which can be passed on to us.
- (d) Direct and indirect tax benefits available to our Proposed Manufacturing Facility to be situated in the Proposed Textile SEZ, which may enable us to improve our margins.

### **Capacity and capacity utilization**



The details of our installed capacity and capacity utilization for the last four years and for period ended December 31, 2009, are as under:-

Product	Particulars	F.Y. 06 *	F.Y. 07	F.Y. 08	F.Y. 09	Period ended December 31, 2009**
Narrow Width	Installed Capacity (Mtrs)	0	5,11,50,000	6,30,00,000	6,30,00,000	4,72,50,000
	Capacity Utilised (Mtrs)	0	4,50,28,250	5,66,17,458	6,15,40,176	4,66,06,016
	Utilization %		88.03	89.87	97.68	98.64
Wider Width	Installed Capacity (Mtrs)	2,49,60,000	2,80,50,000	4,55,00,000	5,25,00,000	5,51,25,000
	Capacity Utilised (Mtrs)	7,39,067	2,33,35,127	4,16,52,122	5,15,62,100	5,16,33,495
	Utilization %	2.96	83.19	91.54	98.21	93.67
Total	Installed Capacity (Mtrs)	2,49,60,000	7,92,00,000	10,85,00,000	11,55,00,000	10,23,75,000
	Capacity Utilised (Mtrs)	7,39,067	6,83,63,377	9,82,69,580	11,31,02,276	9,82,39,511
	Utilization %	2.96	86.32	90.57	97.92	95.96

- The manufacturing facilities commenced operations in February 2006.

\*\* - Capacity figures for three quarters

### Competitive Strengths

Our Company's growth has largely been driven by our existing order based business model, combination of Narrow and Wider Width Products, scale of operations, quality of our products and focus on building a strong supply chain.

We believe that we have the following competitive strengths:

#### *Experience and vision of our Promoters*

Our Promoters, Mr. Pradipkumar Karia and Mr. Chetan Karia, have over two decades and sixteen years of business experience respectively in textiles with specific focus on the home linen business in the last fifteen years. Our Promoters set up the Wider Width manufacturing facilities in 2006 which we believe was the right time to enable us to capture the potential domestic and international demand for Home Linen Products. Similarly, based on the experience and vision of our Promoters, we intend to implement Proposed Manufacturing Facility in the Proposed Textile SEZ being promoted by us, to derive benefits of economies of scale, cost benefits and to expand our global footprint, which we believe will have a positive impact on our performance going forward.

#### *Scalable Business Model*

Our business model is order driven, and comprises of optimum utilization of our Narrow Width and Wider Width manufacturing facilities, maximum capacity utilization, developing linkages with quality raw material suppliers and achieving consequent economies of scale. In FY 2006, 2007, 2008 and 2009 and period ended December 31, 2009, we have increased capacities (on consolidated basis) to 24.96 million meters, 79.20 million meters, 108.50 million meters, 115.50 million meters and 136.50 million meters per annum respectively, with a capacity utilization of 2.96 %, 86.32 %, 90.57 %, 97.92 % and 95.96% respectively. We believe that this business model has proved successful and scalable for us in the last three financial years, We can scale upward as per the requirement generated by our Company. The business scale generation is basically due to the development of new markets both international and domestic, by adopting aggressive marketing of the product, innovation in the product range and by maintaining the consistent quality of the product.

#### *Existing global supplies and potential for export growth*

Our products have been exported to markets in more than twenty countries, and comprise of 47.50 % of our turnover for FY 2009 (including direct and Indirect Exports). We have developed a foothold in the export market, and we intend to further strengthen our export performance by setting up the Proposed Manufacturing Facility in the Proposed Textile SEZ.

#### *Experienced management team*



Our Company is managed by an experienced team. Each function of the business such as finance, production, engineering, sale, marketing and human resource management are headed by experienced persons with an average relevant experience of over 15 years. Most of the members of the top management team have been working with our Company since inception/ with erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) prior to the Demerger, whose employment was transferred to our Company pursuant to the Scheme of Demerger.

#### ***Good relations with our work force***

Our Company has always strived to maintain good relations with our work force, and there have been no occasions of unrest since the incorporation of our Company. This is also demonstrated by our negligible attrition rate. Since the commencement of business by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) (Narrow Width Unit) and our Company (Wider Width Unit), only 29 employees (excluding contract labour) have left the services of our Company/erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) upto March 31, 2009.

#### ***Product mix and Market mix***

Our Company mainly deals in Home Linen Products primarily Narrow Width and Wider Widths. Our Company has presence in domestic as well as overseas markets. More than 52.50% of our products were consumed in the domestic market and 47.50% of our products were exported in FY 2009. A majority of our exports are Indirect Exports which are rupee denominated exports. Our overseas supplies are primarily distributed among American and European markets.

#### ***Cost effective production and timely fulfillment of orders***

Timely fulfillment of the orders is a prerequisite in our industry. Our Company has taken various steps in order to ensure adherence to timely fulfillment and also to achieve greater cost efficiency. These steps include identified quality grey cloth suppliers (which forms a bulk of our raw material cost), smooth labour relations, use of an efficient production system and ability to meet large and varied orders due to our capacity and linkages with raw material suppliers. Our Company also has enjoyed good relations with our suppliers of grey cloth which is the primary raw material for our products and as a consequence has had the benefit of timely supplies of grey cloth which has been one of the major reasons why we have been able to achieve timely fulfillment of orders of our customers. Our Company constantly endeavors to implement an efficient procurement policy for inputs required for production so as to ensure cost efficiency in procurement which in turn results in cost effective production.

#### ***History of repeat orders***

Our Company has made continuous efforts to ensure customer satisfaction by taking steps for timely delivery of orders to our customers as well as maintaining consistency in quality and this has yielded results in the form of repeat orders from our customers. The repeat orders reflect the confidence reposed in us by our customers. The Proposed Manufacturing Facility is one of the steps taken by our management towards meeting the requirements of our existing customers.

#### ***Quality control***

Our Company has implemented a strict quality control process which ensures that the product undergoes various tests after each process resulting in the final product meeting the standards prescribed by our customers. We have received the certificate regarding compliance with Quality Management System Standard ISO 9001 : 2008 for specified products. Further, our existing manufacturing facility has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for specified products. The ISO 9001:2008 certification is valid till February 01, 2013, while Oeko-Tex authorization is valid till July 31, 2010.

#### ***Competition***

The Home Linen Products business is a highly competitive business both in the domestic as well in the international markets. China, Pakistan and India are major players globally in this business. In the domestic market, this industry is highly fragmented due to the presence of a large number of players in both the organized as well as the unorganized sector. There is no single player that dominates the Home Linen Products business either in India or internationally. Our competitors range from large enterprises to niche manufacturers in the domestic market. The top five competitors for our Company in the textile industry are namely, Alok Industries Limited, Mudra LifeStyle Limited, Himatsingka Seide Limited, Bombay Dyeing and Manufacturing Company Limited and Gujarat Heavy Chemicals Limited. In order to be competitive, our Company intends to leverage on its large capacity, cost effective production, operational capabilities and by further strengthening its relationships with customers and at the same time developing relationships with new customers.

#### ***Insurance Coverage***

Our Company believes that it has taken adequate insurance cover commensurate with the requirements of the business in respect its manufacturing facilities and workmen. We also intend to acquire requisite insurance cover for our Proposed Manufacturing Facility.



### Current Order Book

Our Company's order book as at February 15, 2010 is Rs33,377.96Lacs, comprising of Export Orders worth Rs. 10,151.15 Lacs and domestic orders worth Rs. 23,226.81 Lacs.

### Properties

#### Properties acquired for the Proposed Textile SEZ (including those for our Proposed Manufacturing Facility)

Sr. No.	Date of Sale Deed / Agreement for Sale	Name of the Purchaser / Transferee / Occupier	Name of the Seller / Transferor	Consideration (Rs.)	Area	Particulars of the Property, Description	Proposed Usage
1.	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar ) <b>Confirming Party:</b> Sarika Paints Limited	59,00,850	Land admeasuring Survey nos: 30,149 Sq. Mtrs.	Bearing survey nos. 163/17p, 156p and 106/2p, situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial
2.	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar ) <b>Confirming Party:</b> Sarika Paints Limited	39,06,000	Land admeasuring Survey nos: 19,931 Sq. Mtrs.	Bearing survey nos. 163/26 paiki and 108 paiki situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial
3.	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar ) <b>Confirming Party:</b> Sarika Paints Limited	59,52,000	Land admeasuring Survey nos: 30,351 Sq. Mtrs.	Bearing survey nos. 163/12paiki, 163/3paiki and 163/4, situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial
4.	Sale Deed dated July 24, 2008	Pradip Overseas Limited	Mr. Karshan Ramsangbhai Barad	23,25,000	Land admeasuring 11,736 Sq.Mtrs.	Bearing survey no. 163/3 situated in the village Bhamasra, Sub-district	Industrial





								and Taluka-Bavla, District-Ahmedabad	
5.	Sale Deed dated July 24, 2008	Pradip Overseas Limited	Mr. Ashwin Kamsukhbhai Rathod	13,27,500		Land admeasuring 8,094 Sq. Mtrs.	Bearing survey no. 163/4 situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial	
6.	Sale Deed dated July 22, 2008	Pradip Overseas Limited	Mr. Girish Vitthalbhai Patel (through Power of Attorney holder Mr. Vijaykumar Gajananad Salhekar)	30,22,500		Land admeasuring 15,276 Sq. Mtrs.	Bearing survey nos. 105/1p and 105/2 p situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial	
7.	Sale deed dated October 3, 2007	Pradip Overseas Limited	Mr. Soda Dhudabhai Vanand	12,00,000		1) Land admeasuring 12,140 Sq. Mtrs. 2) Land admeasuring 3,137 Sq. Mtrs.	1) Bearing survey no. 105/2 2) and 105/1 situated in the, Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad.	Industrial	
8.	Sale deed dated April 11, 2008.	Pradip Overseas Limited	Mr. Shambhu Gafurbhai Rathod	3,50,000		Land admeasuring 16,592 Sq. Mtrs.	Bearing survey no.- 155 situated in the Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial	
9.	Sale Deed dated April 25, 2007	Pradip Overseas Limited*	1. Mr.Hari Kanubhai 2. Mr.Videsh Kanubhai	3,50,000		Land admeasuring 8,195 Sq. Mtrs.	Block no. 354, bearing survey no.- 155 paikie situated in the, Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial	
10.	Sale Deed	Pradip	Mr. Videsh	9,23,000		Land	Bearing survey	Industrial	



	dated August 2, 2008	Overseas Limited	Pradip Overseas Limited	Kanubhai Rathod and Mrs. Hansa Kanubhai Rathod			admeasuring 4,721 <sup>#</sup> Sq. Mtrs.	no. 157/1 paikie situated in the village Bhamasra, Sub-district and Taluka- Bavla, District- Ahmedabad.	
11.	Sale Deed dated March 5, 2008.	Pradip Overseas Limited	Mr. Dilip Mohanbhai Bharwad	58,551		Farm admeasuring 9,713 <sup>#</sup> Sq. Mtrs,	Bearing survey no. 162 paiki situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub- dist- Ahmedabad	Industrial	
12.	Sale Deed dated November 16, 2007	Pradip Overseas Limited	Mr. Girdhar Dhanjibhai	80,000		Land admeasuring 9,813 Sq. Mtrs	Bearing survey no. 162 paikie situated in the village Bhamasra, Sub-district and Taluka- Bavla, District- Ahmedabad	Industrial	
13.	Sale Deed dated April 16, 2007	Pradip Overseas Limited*	Mr. Gambhu Kehubhai	3,20,000		Land admeasuring 9,308 <sup>#</sup> Sq. Mtrs	Bearing survey no. 163/13 paikie situated in the village Bhamasra, Sub-district and Taluka- Bavla, District- Ahmedabad	Industrial	
14.	Sale Deed dated September 26, 2007	Pradip Overseas Limited* *	1. Mr. Dhiru Sagar 2. Mrs. ShantaSagar 3. Mr. Samji Sagar 4. Mr. Vijay Kanub Sagar	4,00,000		Land admeasuring 4,654 Sq. Mtrs,	Bearing revenue survey no. 163/15 situated in the, Village- Bhamasara, Taluka-Bavla, Dist & Sub- dist- Ahmedabad	Industrial	
15.	Sale Deed dated April 21, 2007	Pradip Overseas Limited*	Mr. Kanti Mohanbhai	9,40,000		Land admeasuring 24,281 <sup>#</sup> Sq. Mtrs	Bearing survey no. 163/24 situated in the village Bhamasra, Sub-district and Taluka- Bavla,	Industrial	



16.	Sale Deed dated February 12, 2008	Pradip Overseas Limited	Mr. Ladhulagra Vaghela, Mrs. Majuben Ladhubhai (Through Power of Attorney holder Mr. Ladhu Lagrabhai Vghela)	4,00,000	Land admeasuring 12,141 <sup>#</sup> Sq. Mtrs.	District- Ahmedabad Bearing survey no.- 163/25 situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial
17.	Sale Deed dated May 3, 2007	Pradip Overseas Limited*	Mr. Laghra Chhaganbhai (Through Power of Attorney holder Mr. Falji Laghrabhai)	15,51,000	Land admeasuring 22,258 Sq. Mtrs.	Bearing survey no.- 163/26 paikee situated in the, Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial
18.	Sale Deed dated, August 17, 2007	Pradip Overseas Limited*	Mr. Ghanshyamsingh Jivansingh Vaghela	7,00,000	Land admeasuring 16,188 Sq. Mtrs	Bearing survey no. 163/26 paikee situated in the village Bhamasra, Sub-district and Taluka-Bavla, District- Ahmedabad	Industrial
19.	Sale Deed dated August 31, 2007	Pradip Overseas Limited*	Ms. Manek Mohanbhai and Ms. Isha Chakubhai (Through Power of Attorney holder Mr. Gautam Naranbhai Prajapati )	2,00,000	Land admeasuring 8,094 Sq. Mtrs.	Bearing survey no.- 163/26 paikee situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial
20.	Sale Deed dated May 3, 2007	Pradip Overseas Limited*	Mrs. Ratan Narisinbhai	13,51,000	Land admeasuring 20,234 Sq. Mtrs.	Bearing survey no.- 163/26 paikee situated in the, Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial
21.	Sale Deed dated October 1, 2007	Pradip Overseas Limited	a. Mr. Bhikha Laghrabhai b. Mr. Naran Laghrbhai c. Mr. Mangu Laghrabhai d. Mr. Kanta Laghrabhai	8,00,000	Land admeasuring 9,004 Sq. Mtrs	Bearing survey nos. 164 situated in the village Bhamasra, Sub-district and Taluka-Bavla,	Industrial



								District- Ahmedabad	
22.	Sale Deed dated September 1, 2007	Pradip Overseas Limited*	Mr. Gautam Naranbhai Prajapati (through the Power of Attorney executed by Mr. Ramesh Ladhubhai)	9,00,000	Land admeasuring 43,909 Sq. Mtrs.	Bearing survey no.- 170 paikie situated in the , Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial		
23.	Sale Deed dated August 7, 2007	Pradip Overseas Limited*	Mr. Ghanshyamsingh Jivansingh Vaghela	2,87,000	Land admeasuring 7,548 <sup>#</sup> Sq. Mtrs,	Bearing survey no. 171/1 paiki situated in the, Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial		
24.	Sale Deed dated November 29, 2007	Pradip Overseas Limited	Dharamshi Mohanbhai	35,000	Land admeasuring 3480 sq. mtrs. out of total land admeasuring 11028 sq. mtrs.	Bearing survey no. 171/1 paiki situated in the Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial		
25.	Sale Deed dated December 01, 2007	Pradip Overseas Limited	1. Mr. Baldev Channabhai 2. Mr. Kannu Channabhai 3. Ms. Manek Channabhai (Through Power of Attorney holder Mr. Kalu Jugabhai Rathod)	4,00,000	Land admeasuring 3,980 Sq. Mtrs.	Bearing survey no.- 171/2 situated in the, Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial		
26.	Sale Deed dated August 07, 2007	Pradip Overseas Limited*	Mr. Ghanshyamsingh Jivansingh Vaghela	5,00,000	Land admeasuring 11,939 Sq. Mtrs.	Bearing survey no. 171/2 paiki situated in the, Village-Bhamasra, Taluka-Bavla, Dist & Sub-dist-Ahmedabad	Industrial		
27.	Sale Deed dated August 07, 2007	Pradip Overseas Limited*	Mr. Ukal Sarabhai	4,50,000	Land admeasuring 11,635 Sq. Mtrs,	Bearing survey no. 173 paiki situated in the, Village-Bhamasra, Taluka-Bavla, Dist & Sub-	Industrial		



28.	Sale Deed dated August 07, 2007	Pradip Overseas Limited*	Mr. Tribhovan Gelabhai (Through Power of Attorney holder Mr. Gautam Naranbhai Prajapati)	4,50,000	Land admeasuring 11,028 Sq. Mtrs,	dist- Ahmedabad	Bearing survey no. 173 paiki situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial	
29.	Sale Deed dated April 12, 2007	Pradip Overseas limited*	Mr. Girish Vitthalbhai Patel	9,78,000	Land admeasuring 22,764 Sq. Mtrs.		Bearing survey no.- 174 paikie situated in the, Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial	
30.	Sale Deed dated April 18, 2007	Pradip Overseas Limited*	1. Mr. Raisang Gordhanbhai 2. Mr. Chandu Gordhanbhai	9,26,000	Land admeasuring 10,724 Sq. Mtrs. and Land admeasuring 10,825 Sq. Mtrs		Bearing survey no.- 178 paikie situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad	Industrial	
31.	Sale Deed dated April 11, 2008.	Pradip Overseas Limited	Mr. Ashok Shambhubhai Rathod	6,25,000	1) Land admeasuring 15,985 Sq. mtrs 2) Land admeasuring 12,545 <sup>#</sup> Sq. mtrs		1) Bearing survey no. 150 2) bearing survey no. 165 situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist- Ahmedabad.	Industrial	
32.	Sale Deed dated April 11, 2008.	Pradip Overseas Limited	Mr. Amrut Gafurbhai Rathod	11,70,000	1) Land admeasuring 9,409 <sup>#</sup> Sq. Mtrs. 2) land admeasuring 16,997 <sup>#</sup> Sq. Mtrs. 3) land admeasuring 23,168 <sup>#</sup> Sq. Mtrs 4) land admeasuring 5,463 <sup>#</sup> Sq.		1) Bearing survey no. 166/2/1 2) Bearing survey no. 160/2 3) Bearing survey no. 152 and 4) Bearing survey no. 161 situated in the Village- Bhamasra, Taluka-Bavla, Dist & Sub-dist-	Industrial	



							Mtrs.	Ahmedabad.	
33.	Sale Deed dated August 30, 2008	Pradip Overseas Limited	Mr. Vana Khengarbhai	60,54,000		Land admeasuring 30,959 Sq Mtrs	Bearing survey nos. 166/2/2 and 169/1 situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial	
34.	Sale Deed dated August 8, 2008	Pradip Overseas Limited	Mr. Abhesingh Dhanjibhai	25,91,719		Land admeasuring 13,254 Sq Mtrs	Bearing survey nos. 157/2 situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial	
35.	Sale Deed dated August 30, 2008	Pradip Overseas Limited	Mr. Ramesh Becharbhai Mr. Ganesh Becharbhai Ms. Puja Becharbhai Ms. Parma Becharbhai	72,99,992		Land admeasuring 37,332 Sq Mtrs	Bearing survey no. 180 situated in the village Bhamasra, Sub-district and Taluka-Bavla, District-Ahmedabad	Industrial	
36.	Sale Deed dated May 02, 2008	Mr. Ramesh Karia**	Mr. Sendha Hirabhai Mer Mr. Mansang Hirabhai Mer Ms. Saju Hirabhai Mer	1,30,000		Land admeasuring 6,071 Sq Mtrs	Survey No.163/5	Industrial	
37.	Sale Deed dated May 2, 2008	Mr. Ramesh Karia**	Mr. Hari Tribhuvanbhai	1,85,000		Land admeasuring 11,129 Sq Mtrs	Survey No.171/1 situated in Village Mauje Bhamasara	Industrial	
38.	Sale Deed dated September 16, 2008	Mr. Ramesh Karia**	Mr. Bachu Ambarambhai	1,80,000		Land admeasuring 8094 Sq Mtrs	Survey No. 182/p situated in Village Bhamasara	Industrial	
39.	Sale Deed dated September 16, 2008	Mr. Ramesh Karia**	Mr. Shanti Vanabhai	1,80,000		Land admeasuring 8094 Sq Mtrs	Survey No. 182	Industrial	
40.	Sale Deed	Pradip	Mr. Vana	98,000		Land	Survey No.	Industrial	



	dated September 2, 2008	Overseas Limited	Khengarbhai			admeasuring 506 Sq Mtrs	166/1	
41.	Sale Deed dated September 18, 2008	Pradip Overseas Limited	Mr. Ajmal Dharabhai	10,43,300		Land admeasuring 5,350 Sq Mtrs	Survey No.172	Industrial
42.	Sale Deed dated April 01, 2009	Mr. Ramesh Karia**	Ms. Tajuben Dhanabhai, MR.Kantibhai Dhanabhai, Mr.Ashokbhai Dhanabhai, Mr. Navalbai Dhanabhai and Ms. Gitaben Dhanabhai	1,33,562		Land admeasuring 6071 sq.Mtrs.	Bearing survey no. 182/p situated in the village Bhamsara, Sub- Distrcit and Taluka Bavla , District - Ahmedabad	Industrial
43.	Sale Deed dated December 22, 2008	Pradip Overseas Limited	Mr.Kanubhai Jairambhai	Rs.59,400		Land admeasuring 2700 Sq. Mtrs.	Bearing survey no. 153 situated in the village Bhamsara, Sub - Distrcit and Taluka Bavla , Distrcit - Ahmedabad	Industrial
44.	Sale Deed dated December 26, 2008	Pradip Overseas Limited	Mr. Mahipatsinh Jivansinh Vaghela	15,90,000		Land admeasuring 7,958 Sq. Mtrs.	Bearing survey no. 171/2 situated in the village Village Bhamsara, Sub- Distrcit and Taluka Bavla , Distrcit - Ahmedabad	Industrial
45.	Sale Deed dated January 29, 2009	Mr. Ramesh Karia**	Mr. Jivanbhai Kalubahi Rathod and Ms. Reenaben Jivanbhai Rathod	2,00,000		Land admeasuring 10,000 Sq. Mtrs.	Bearing survey no. 149/7 (P) situated in the village Bhamsara, Sub - District and Taluka Bavla , District - Ahmedabad	Industrial
46.	Sale Deed dated May 05, 2009	Mr. Ramesh Karia**	Mr. Keshubhai Somabhai	40,37,500		Land admeasuring 22,257 Sq. Mtrs.	Bearing survey no. 163/26 (P) situated in the village Bhamsara, Sub - District and Taluka Bavla , District - Ahmedabad	Industrial



47.	Sale Deed dated February 18, 2009	Pradip Overseas Limited	Mr. Khushalbai Matrabhai	10,00,000	Land admeasuring 5362 sq .Mtrs.	Bearing survey no. 153 (P) situated in the village Bhamsara, Sub- Distrcit and Taluka Bavla , Distrcit - Ahmedabad	Industrial
48.	Sale Deed dated April 22, 2009	Pradip Overseas Limited	Mr. Raisanghbhai Gordhanbhai	9,86,505	Land admeasuring 5059 Sq.Mtrs.	Bearing survey no. 163/6 situated in the village Bhamsara, Sub - Distrcit and Taluka Bavla , District - Ahmedabad	Industrial
49.	Sale Deed dated May 12, 2009	Pradip Overseas Limited	Mr. Bhaharwad Dilipbhai Mohanbhai	15,00,000	Land admeasuring 8,094 Sq. Mtrs.	Bearing survey no. 182(P) situated in the village Bhamsara, Sub - Distrcit and Taluka Bavla, Distrcit - Ahmedabad.	Industrial
50.	Sale Deed dated April 01, 2009	Mr. Ramesh Karia**	Ms. Maniben Ajmalbhai Mr. Dilipbhai Ajmalbhai Mr. Bharatbhai Ajmalbhai	44,506	Land admeasuring 2023 sq.Mtrs.	Bearing survey no. 182 situated in the village Bhamsara, Sub- Distrcit and Taluka Bavla , Distrcit - Ahmedabad	Industrial
51.	Sale Deed dated February 18, 2009	Pradip Overseas Limited	Ms.Kantibai Mohanbai Mr. Surajbai Mohanbai Ms. Kuvarben Mohanbai Mr. Sajanben Mohanbai Mr. Manikben Mohanbai	24,00,000	Land measuring 12,141 Sq. mtrs	Bearing survey no. 149/5 situated in the village Bhamsara, Sub-District and Taluka Bavla, District Ahmedabad	Industrial
52.	Sale Deed dated June 01, 2009	Pradip Overseas Limited	Mr.Kamabhai Maganbhai Ms. Vijuben Maganbhai	16,00,000	Land Measuring 8397 Sq. mtrs	Bearing survey no. 168/2 situated in the village Bhamsara Sub District and Taluka Bavla, District Ahmedabad	Industrial
53.	Sale Deed	Pradip	Mr. Girishbhai	39,25,000	Land	Bearing survey	Industrial





	dated July 28, 2009	Overseas Limited	Bhai lalbhai Ms. Kuverben Girishbhai Mr. Dineshbhai Vaghabhai Ms. Madhuben Dineshbhai			Measuring 20,000 sq.mtrs	no. 149/7 situated in the village Bhamsara Sub District and Taluka Bavla, District Ahmedabad	
54.	Sale Deed dated July 28, 2009	Pradip Overseas Limited	Mr. Thakersi .Shankarbhai Rathod Ms. Meenaben Thakersi Rathod	16,75,000		Land Measuring 8562 Sq.mts	Bearing Survey no. 149/7 situated in the village Bhamsara Sub District and Taluka Bavla, District Ahmedabad	Industrial
55.	Sale Deed dated May 20, 2009	Mr. Ramesh Karia**	Mr. Sandipbhai Babulal Shah	4,90,000		Land Measuring 22,258 Sq.mts	Bearing Survey no. 163/26 situated in the village Bhamsara Sub District and Taluka Bavla, District Ahmedabad	Industrial
56.	Sale Deed dated September 25, 2008	Mr. Ramesh Karia**	Ms. Varshaben Dhirubhai	1,80,000		Land Measuring 7,890 Sq. mts	Bearing Survey no. 182 paiki situated in the village Bhamsara Sub District and Taluka Bavla, District Ahmedabad	Industrial

\* These properties were originally acquired in the name of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), and were transferred to our Company pursuant to the Scheme of Demerger.

\*\* Mr. Ramesh Karia has executed trusteeship declarations dated October 23, 2008 and February 19, 2010 stating that the aforesaid properties admeasuring 33,388 square meters and 70,499 square meters respectively, are held by him for our Company in trust, and that he would, at the request of our Company, do all things necessary or convenient to complete the transfer of the recorded ownership of the aforesaid properties to our Company or its designee.

# We have acquired properties aggregating to 1, 35, 294 sq. mtrs. The title search reports for these respective properties state that as per the record of rights, charges in favour of certain local societies are pending. Apart from these properties all the properties as mentioned in the table above are free from all encumbrances and has a clear title.

Further, all the properties are registered in the name of our Company except for the properties which are in the name of Mr. Ramesh Karia.



## II. Properties Used for the existing units and other purposes

Sr. No.	Date of Sale Deed / Agreement for Sale	Name of the Purchaser / Transferee / Occupier	Name of the Seller / Transferor	Consideration (Rs.)	Area	Particulars of the Property, Description	Existing Usage
1.	Sale Deed dated April 16, 2005	M/s. Vishal Textiles (Converted into our Company)	Adani Textiles Industries (Through partners Mr. Mahasukh Shantilal Adani and Mr. Rajesh Shantilal Adani) (Through power of attorney holder Mr. MahasukhShantilal Adani)	19,00,000	Land admeasuring 10,752 Sq. Mtrs.	Plot no. 106 in Vasna Chacharwadi,, Taluka-Sanand, Dist and Sub-Dist- Ahmedabad	Industrial
2.	Sale Deed dated July 22, 2003	Pradip Overseas Private Limited*	Essbee Fabrics Private Limited (Through Power of Attorney holder and mortgagee Mr. Jagdish J. Mehta General manager – Cooperative Bank of Ahmedabad Limited)	4,91,000	Land admeasuring 1725 Sq. Mtrs.	Block no. 105 paikee situated in the, Vasna Chacharwadi, Taluka-Sanand, Dist & Sub Dist- Ahmedabad	Industrial
3.	Sale Deed dated August 6, 2003	Pradip Overseas Private Limited*	Essbee Fabrics Private Limited (Through Power of Attorney holder and mortgagee Mr. Jagdish J. Mehta General manager – Cooperative Bank of Ahmedabad Limited)	4,01,000	Land admeasuring 16198 Sq. Mtrs.	Block no. 104 bearing Survey No. 133 situated in the, Vasna Chacharwadi, Taluka-Sanand, Dist & Sub Dist- Ahmedabad	Industrial
4.	Deed of Conveyance dated April 25, 2008	Pradip Overseas Limited	Mrs. Sarita Kamal Garg	16,50,000	Office No. 204 on second floor, admeasuring 81.28 Sq. Mtrs.	Sub- Plot No. 68, Swastika Co- Operative Housing Society Limited, Final Plot No. 242 of town Planning Scheme No. 3 of mouje: Shaikhpur Khanpur, Taluka, Ahmedabad-3 (Memnagar)	For Office Use. Currently vacant.
5.	Sale Deed dated December 24, 2009	Pradip Overseas Limited	Bipinbhai Dhayabhai Soni	2,00,00,000	1471 Sq.mt	Survey No 754/10, Situated in Makarba, Taluka city, Dist & sub dist. Ahmedabad.	For Official Use.
6.	Sale Deed dated November 04, 2009	Pradip Overseas Limited	Govindram Gurunomal Jagavani	7,30,000	1550 Sq. mt	Survey No.146 paikee, Block no 612, Situated in Vasna Chacharwadi Taluka Sanand, Dist and Sub Dist Ahmedabad.	Industrial



\* These properties were originally acquired in the name of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), and were transferred to our Company pursuant to the Scheme of Demerger. Further, these properties have been mortgaged with various banks for availing working capital / term loan facilities by the Company. Apart from these properties all the properties as mentioned in the table above are free from all encumbrances and has a clear title

### III. Particulars of leased properties/properties on leave and license

Sr. No.	Date of Deed / Agreement	Name of the Lessor / Licensor	Name of the Lessee / Licensee	Area	Particulars of the Property, Description	Existing Usage	Tenure	Consideration	Termination Clause
1.	Lease Deed dated December 31, 2007	Mr. Prakash Kumar Jaiswal	Pradip Overseas Limited	Land admeasuring 48,564 Sq. Mtrs	bearing survey no. 163/26 situated in the, Village Bhamasra, Taluka-Bavla, Dist-Ahmedabad.	Industrial	99 years from December 31, 2007.	Rs. 1,98,000	-
2.	Agreement of Leave and License dated August 30, 2009	M/s. Pradip Exports	Pradip Overseas Limited	1,240 Ft. Sq.	Premises located at 601, Narnarayan Complex, Swastik Cross Road, Navrangpira, Ahmedabad	Registered Office (Pradip Overseas Limited)	11 months and 29 days from August 30, 2009	Rs. 30,000 per month	i) Either party shall be entitled to terminate the agreement by giving a notice of one month in advance.  ii) This agreement shall stand terminated in the event of the Licensee transferring the premises to some other person.

### **Purchase of property**

In relation to properties belonging to our Company acquired for the Proposed Textile SEZ held in the name of Mr. Ramesh Karia, as detailed in the table titled “*Properties acquired for the Proposed Textile SEZ*” above, Mr. Ramesh Karia has executed trusteeship declarations dated October 23, 2008 and February 19, 2010 stating that the aforesaid properties admeasuring 33,388 square meters and 70,499 square meters respectively, are held by him for our Company in trust, and that he would, at the request of our Company, do all things necessary or convenient to complete the transfer of the recorded ownership of the aforesaid properties to our Company or its designee.



### **Intellectual Property (Company Logo, Trademark, Patents for Design, etc)**

Our Company has filed 16 applications under The Trademarks Act, 1999 for registration of the names Victoria Classics, Baltic Hills, Lieblisch, Pikasso, Ashley Copper, Austin Home, Lauren Bedding, Jessica, Caribbean, Lucyblinens, Wrinkle Free, P (logo), Kicko, Lucia Borgia Italia, Wezoo and Pradip with Logo.

Our Company has also filed an application under The Trademarks Act, 1999 for registration of its logo.

### **Employees Stock Option Scheme**

Our Company does not have any Employee Stock Option Scheme or other similar scheme giving options in our Equity Shares to our employees.

### **Payment of or Benefits to Officers of our Company**

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment or engagement, we have not paid any amount or given any benefit to any officer of our Company in a period of two years before the date of the Red Herring Prospectus, nor is such amount or benefit intended to be paid or given to any officer as on the date of the Red Herring Prospectus.

### **Safety, Health and Environmental Regulation and Initiatives**

Our Company has implemented the process of ensuring compliance with social audit procedures and is taken care of by the administration and production departments. The records of all the compliances are maintained by us and shared with the external agencies including representatives of the foreign buyers of our products who purchase our products through their agents (which is termed as indirect exports).

The following compliances are taken care of our Company on regular basis:

- General conditions and legal compliance under which we take care of the communication from the sub- contractors, employees, factory registration licenses, classification as per environmental, health and safety, reporting to authorities, legal compliance like environmental, social and working conditions.
- Compliance with the requirements of the pollution control board relating to emission to air, water and noise, ground contamination, chemicals which includes, list of chemicals, procedure for procurement, storage, handling, storage, labeling of chemical, hazardous and non hazardous waste
- Fire safety which includes inspection by fire authorities, Competence and training, fire fighting equipment, escape routes, evacuation alarm, evacuation routes, evacuation drills
- Workers safety which includes Inspections by the labour, health and safety authority visits to factory, accidents and incidences, safety training, machine safety devices, safety instructions, safety hazards, use of protective equipment, first aid equipment, first aid trained persons, work temperature, work place noise, work place light, drinking water and hygiene.



## KEY INDUSTRY REGULATIONS AND POLICIES

The Government of India has over the years formulated various regulations, policies and schemes for textile industry in India in order to encourage upgradation of textile sector and to give a fillip to exports of textile products. We are engaged in the business of manufacturing of Home Linen Products. We are required to obtain licenses and approvals, depending upon the prevailing laws and regulations applicable at the central level/in the relevant states and/or local governing bodies. For details of our material licenses and approvals, please refer chapter titled “*Government and Other Statutory Approvals*” beginning on page 199 of the Red Herring Prospectus.

Additionally, our operations require sanctions from the concerned authorities, under the relevant Central and State legislations and local bye-laws. The following is an overview of the some of the important policies and laws which are pertinent to our business as a player in the textile industry.

### 1. National Textile Policy – 2000 (NTXP – 2000)

The Government of India in November 2000 announced the NTXP – 2000, thereby replacing the previous Textile Policy of 1985. The main objective of the NTXP – 2000 is to enable the industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. It also de-reserved the garments sector from the Small Scale Industry reservation list and lifted the foreign direct investment cap of 24 per cent. The NTXP – 2000 took note of the new challenges and opportunities presented by the changing global environment, particularly the initiation of the process of gradual phasing out of quantitative restrictions on imports and the lowering of tariff levels for an integration of the world textile and clothing markets.

#### *The objectives of the NTXP – 2000 are to:*

- Facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing;
- Equip the textile industry to withstand pressures of import penetration and maintain a dominant presence in the domestic market;
- Liberalise controls and regulations so that the different segments of the textile industry are enabled to perform in a greater competitive environment;
- Enable the textile industry to build world class state-of-the-art manufacturing capabilities in conformity with environmental standards, and for this purpose to encourage both Foreign Direct Investment as well as research and development in the sector;
- Develop a strong multi-fibre base with thrust on product upgradation and diversification;
- Sustain and strengthen the traditional knowledge, skills and capabilities of our weavers and craftspeople.
- Enrich human resource skills and capabilities, with special emphasis on those working in the decentralised sectors of the textile industry; and for this purpose to revitalise the institutional structure;
- Expand productive employment by enabling the growth of the textile industry, with particular effort directed to enhancing the benefits to the north east region;
- Make Information Technology (IT), an integral part of the entire value chain of textile production and thereby facilitate the textile industry to achieve international standards in terms of quality, design and marketing; and
- Involve and ensure the active co-operation and partnership of the State Governments, Financial Institutions, Entrepreneurs, Farmers and Non-Governmental Organisations in the fulfilment of these objectives.

*Vide* the NTXP – 2000 the Government has conveyed it’s commitment towards providing a conducive environment to enable the Indian textile industry to realise its full potential, achieve global excellence, and fulfil its obligation to different.

### 2. Technology Upgradation Fund Scheme (TUFS)

Technology Upgradation Fund Scheme (TUFS) is a focal point for modernisation efforts through technology upgradation in the textile industry. It offsets the global disadvantages faced by the Indian textiles industry in the field of power, transactional cost and additional cost borne by the industry due to poor infrastructure. The Scheme is equally crucial to attain higher level of infrastructure creation for modernisation of textiles sector.

The main feature of the TUFS is a five percent reimbursement on the interest actually charged by the identified financial institutions on the sanctioned projects. The TUFS was launched from April 1, 1999 to March 31, 2007 in order to provide an impetus for the modernisation of the textile and jute industry and to further enhance its viability and competitiveness in the domestic and the international markets. Technology upgradation under TUFS ordinarily means induction of state-of-the-art or near-state-of-the-art technology. But in the widely varying mosaic of technology obtained in the Indian textile industry, at least a significant step up from the present technology level to a substantially higher one for such trailing segments would be



essential. Accordingly, technology levels are bench-marked in terms of specified machinery for each sector of the textile industry. Machinery with technology levels lower than that specified will not be permitted for funding under the TUFS Scheme.

The Government of India, Ministry of Textiles (MOT), introduced Technology Upgradation Fund Scheme (TUFS) for textile and jute industries on April 1, 1999, for a period of 5 years and subsequently extended by 3 years to cover sanctions up to March 31, 2007. The Hon'ble finance minister, in his budget speech for the year 2007-08, has announced further extension of the Scheme during the Eleventh Five Year Plan. It will further help domestic textile industry to upgrade the technology of existing Unit, and also to set up new units with state of the art technology for enhancing their viability and competitiveness in the domestic and international markets.

### **3. Textile (Development and Regulation) Order, 2001**

The Textile (Development and Regulation) Order, 2001 (“TDRO”) was brought into force by the Central Government under Section 3 of the Essential Commodities Act, 1955 and repealed the Textile (Development and Regulation) Order, 1993. Under the TDRO every manufacturer of textiles, textile machinery and every person dealing with textiles shall keep books of accounts, data and other records relating to his business in the matter of production, processing, import, export, supply, distribution, sale, consumption, *etc.* and shall furnish such returns or information in respect of their business as and when directed by the Textile Commissioner. The TDRO further prescribes filing of an Information Memorandum as per the requisite form with the Textile Commissioner, Mumbai in the event of:

- Installation of textile machinery for the manufacture of textiles within thirty days of the installation of such machinery;
- Relocation, selling, transferring or otherwise disposing of any textile machinery referred to above, within thirty days from the date of such re-location, sale, transfer or disposal; and
- Modernisation of a textile unit.

The TDRO further provides that no person shall make any markings on any textiles resembling the brand name or trade name of any other person who has applied for or obtained a registration to that effect under the Trade and Merchandise Marks Act, 1958 (43 of 1958), except under and limited to the extent of specific authorisation by the holder of or applicant for such brand or trade name.

### **4. Special Economic Zones Act, 2005**

Special Economic Zones Act, 2005 is an act to provide for the establishment, development and management of the Special Economic Zones. Major objectives of the SEZ Act include generation of additional economic activity, promotion of export of goods and services, investment from domestic and foreign sources and creation of employment opportunities. The SEZ rules provide for drastic simplification of procedures and for single window clearance on matters relating to Central as well as State Governments.

### **5. Gujarat Special Economic Zones Act, 2004**

Gujarat Special Economic Zone Act, 2004 was enacted to provide for the operation, maintenance, management and administration of a Special Economic Zone and to constitute an authority and for matters connected therewith or incidental thereto.



## HISTORY AND OTHER CORPORATE MATTERS

Our Company was originally formed as a partnership firm in the name and style of M/s. Vishal Textile *vide* partnership deed dated April 13, 2005. The name of the firm was changed from M/s. Vishal Textile to M/s. Chetan Textiles *vide* supplementary deed of partnership dated June 15, 2005. Subsequently, M/s. Chetan Textiles was converted into a company under part IX of the Act bearing the name as “Chetan Textiles Private Limited” under part IX of the Act *vide* certificate of incorporation dated June 29, 2005 bearing CIN U17100GJ2005PTC46345 under the Companies Act by the RoC. Subsequently, our Company was converted into a public limited company *vide* fresh certificate of incorporation dated August 09, 2006 bearing the name “Chetan Textiles Limited” with CIN U17100GJ2005PLC046345. Pursuant to the Scheme of Demerger, the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) merged into “Chetan Textiles Limited” and consequentially the name “Chetan Textiles Limited” was changed to “Pradip Overseas Limited” *vide* fresh certificate of incorporation dated October 01, 2007.

Our Company is one of the few textile manufacturers with niche focus on Home Linen Products of both, wider width and narrow width. In addition to the sales in the domestic markets, our products are being exported to markets in more than twenty countries (directly and indirectly). Our current manufacturing capacity is 136.50 million metres per annum with an average capacity utilization of 92%. Our existing facility is located at Changodar near Ahmedabad in Gujarat. We are enhancing our capacities to 169.50 million metres per annum in order to meet the expanding demand and further consolidate our position in the home linen market. The expansion project is being implemented at the Proposed Textile SEZ being promoted by us near Ahmedabad in Gujarat.

We have been certified as conforming to the Quality Management System Standard ISO 9001:2008 covering the supply of dyed and printed fabrics. Further, our existing manufacturing facility at Plot No. 104, 105 and 106, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zyudus Cadila, Near Prakash Solvent, Changodar, Ahmedabad 382213, Gujarat, India, has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for articles, namely bed sets (made-ups), woven fabrics made out of 100% cotton and polyester, bleached, reactive dyed, reactive printed, dispersed dyed and dispersed printed and pigment printed (inclusive sewing threads, buttons and zippers), produced by using material certified according to Oeko-Tex Standard 100. Further, after implementation of the Project, we also intend to file applications for obtaining similar certifications for our Proposed Manufacturing Facility.

We have been constantly making an endeavor to create new and more attractive designs / patterns on our products in order to have an advantage over other players in the market. We have a team of designers who develop the indicative designs received from customers and also develop independent designs and we have an extensive library of designs.

Our Company is eligible for benefits under the Technology Upgradation Funds Scheme (TUFS) of the Government of India. Please refer chapters titled “*Industry Overview*” and “*Key Industry Regulations and Policies*” beginning on pages 84 and 116 respectively, of the Red Herring Prospectus. Further, the Proposed Manufacturing Facility to be set up by our Company in the Proposed Textile SEZ is also eligible for benefits under the SEZ Act.

### ***Our evolution***

Our Promoter, Mr. Pradipkumar Karia, has over two decades of business experience in textiles with specific focus on the home linen business in the last fifteen years. In the year 1985, he commenced business as a supplier of various textile products in the domestic market. In the year 1993, M/s. Anu Impex was established as a partnership firm to carry out the business of supply of Home Linen Products to merchant exporters. With the objective of timely delivery, consistent quality and competitive pricing, it outsourced the procurement of grey cloth and processing of the grey cloth, while the processed fabric was stitched at its own stitching and packing unit. Another partnership firm under the name and style of M/s. Pradip Exports was established in the year 1995 to carry on similar business. Its focus was solely on exports and operations were wholly outsourced, with stitching being carried out by M/s. Anu Impex. M/s. Anu Impex has ceased to carry on business as on date. In FY 2000, Pradip Overseas Private Limited (POPL) (now Pradip Enterprises Limited) was incorporated. It commenced business in FY 2004 when it acquired a defunct textile manufacturing unit at Changodar, Ahmedabad from a bank through an auction process set up and operationalized that unit to manufacture Narrow Width Home Linen Products, with an installed capacity of 22 million metres per annum of Narrow Width Home Linen Products. This company also commenced the business of trading in agro-products during FY 2005. POPL was converted to a public limited company during the FY 2007.

In the year 2005, the textile sector underwent a major change, on account of global factors like elimination of quotas under the WTO Agreement on Textiles and Clothing (ATC) and the consequent increase in export opportunities, coupled with the growth of the Indian economy, primarily the urban areas. These factors operated to increase the demand for wider width fabrics. To service this demand, our Promoters, established a partnership firm under the name and style of M/s. Vishal Textiles, invested in a greenfield



wider width manufacturing facility at Changodar near Ahmedabad in Gujarat which became operational in February 2006. Its name was changed to M/s Chetan Textiles in FY 2006 and in the same year, it was converted into a private limited company under Part IX of the Act, bearing the name Chetan Textiles Private Limited. The initial installed capacity was 24.96 million metres per annum of wider width Home Linen Products.

With a view to consolidate the Narrow Width and Wider Width Home Linen Product manufacturing activities in one corporate entity, the “textile division” (as stated in the order of the High Court of Gujarat dated August 17, 2007, effective from April 1, 2006) of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), comprising of the Narrow Width Home Linen Manufacturing Unit, was demerged into Chetan Textiles Limited, and the name of erstwhile Pradip Overseas Limited was changed to Pradip Enterprises Limited with effect from September 24, 2007. Also, the name of the Chetan Textiles Limited was changed to Pradip Overseas Limited with effect from October 1, 2007, with a view to enjoy the continued recognition of this name among its customers. Pradip Enterprises Limited is continuing the activity of trading in agro-products.

Acquisition of defunct textile manufacturing Unit at Changodar, Ahmedabad by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), and setting up and operationalization of that Unit to manufacture Narrow Width Home Linen Products.

## **Products**

### ***Nature of the Products, end users.***

We manufacture a range of Home Linen Products which include the following :-

- 1) Flat and fitted sheets for double and single beds both in Narrow Width and Wider Width.
- 2) Quilt Covers and Pillow covers
- 3) Mattress Covers
- 4) Quilts Poly/Cotton Filled
- 5) Curtains

### ***Marketing and approach to marketing***

Our business is completely order driven and our production scheduling is normally on a back-to-back basis based on orders received. In FY 2009, 52.50% of our sales / turnover were in the domestic market and 47.50% were through exports (including Indirect Exports). Our marketing set up has separate teams focusing on domestic and international sales.

Our domestic sales are primarily to

- distributors / agents
- large retail chains
- institutional buyers
- standalone stores
- government agencies / departments

A bulk of our international sales are discussed and negotiated at some of the major international trade fairs including “Hem-Textile Fair” held annually in Germany. Other than through trade fairs, we also focus on acquiring new clients through distributors / agents including those who are also based in India (in case of Indirect Exports). (Our Indirect Exports for FY 2009 were Rs. 51,515.48 Lacs, comprising of 92.65% of total exports and 44.01% of turnover).

Our Company has 22 shareholders (excluding joint shareholdings) as on February 12, 2010. While 49,21,240 Equity Shares are held in physical form while 2,48,45,530 are held in demat form as on February 12, 2010.

### ***Details of Scheme of Demerger***

With effect from April 01, 2006, the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) was demerged into our Company. Pursuant to the Scheme of Demerger, the name of our Company was changed from Chetan Textiles Limited to Pradip Overseas Limited and a fresh certificate of incorporation was issued by the RoC. Pursuant to the Scheme of Demerger, all the assets and liabilities in the name of the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) were transferred to our Company. Further *vide* the Scheme of Demerger, our Company allotted 3 fully paid up Equity Shares to every shareholder of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) against every 2





equity shares of face value Rs. 10 each held in erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited). For further details please refer paragraph titled “Scheme of Demerger” beginning on page 122 of the Red Herring Prospectus.

#### Changes in Registered Office of our Company:

Date	Registered address changed from	Changed to	Reason for change
December 05, 2005	14-B, Paradise Park, Ashram Road, Vadaj, Ahmedabad – 380013	Plot No. 106, Changodar, Opposite Zydus Cadila, Sarkhej Bavla Highway, Ahmedabad, 382213.	Moving to factory premises
September 29, 2007	Plot No. 106, Changodar, Opposite Zydus Cadila, Sarkhej Bavla Highway, Ahmedabad, 382213.	A-601, Narnarayan Complex, Swastik Cross Road, Navrangpura, Ahmedabad – 380009	Administrative convenience

#### Major Events:

YEAR	KEY EVENTS
<b>Pre-incorporation of our Company</b>	
2003-2004	Acquisition of defunct textile manufacturing Unit at Changodar, Ahmedabad by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), and setting up and operationalization of that Unit to manufacture Narrow Width Home Linen Products.
<b>Post-incorporation of our Company</b>	
2005-06	Commencement of manufacturing of Wider Width Home Linen Products at the Unit I division II of our Company with an installed capacity of 24.96 million metres per annum.
2006-07	Increased installed capacity from 24.96 million metres per annum to 79.20 million metres per annum.
2007-08	The textile unit of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) was merged in our Company with effect from April 01, 2006, and subsequently the name of our Company was changed to Pradip Overseas Limited and name of the erstwhile Pradip Overseas Limited was changed to Pradip Enterprises Limited pursuant to the Scheme of Demerger.
2007-08	Increased installed capacity from 79.20 million metres per annum to 108.50 million metres per annum.
2008-09	Increased installed capacity from 108.50 million metres per annum to 115.50 million metres per annum.
2009-10	Increased installed capacity from 115.50 million metres per annum to 136.50 million metres per annum.

#### Awards, Achievements and Certifications:

Year	Particulars
2007	Certified under Global Organic Textile Standard-GOTS (Standards for the processing of fibres from certified organic agriculture).*
2006	Certified as ISO 9001:2000 (now ISO 9001:2008) (Quality Management System)
2008	Authorisation to use Oeko-Tex Standard mark for certain cotton and polyester home linen products. Awarded as one of “Gujarat Glories – Most Trusted Companies of 2008” awards instituted by Sara Media Inc in association with Zee Business – our Company stood 29 among the top fifty
2009	Authorisation to use Oeko-Tex Standard mark for certain woven fabrics for cotton and polyester home linen products
2009	Certified under Organic Exchange (Standards of the Organic Exchange)



\* This validity period for this certificate is over and our Company has applied for a fresh Certificate

**Main Objects of our Company:**

The main objects of our Company, as contained in our Memorandum of Association, are as set forth below:

1. To carry on the business of designers, processors, printers, texturisers, spinners, weavers, sizers, manufacturers, twistors, crimpers, kneeters, and balers, dyers, garment manufacturers, importers, exporters, retailers, whole sellers, indenters, commission agents of all types of bed sheets, pillow covers, linens, fabrics, tapestry, linen, household fabrics made out of polyester, polypropylene, silk, artificial silk, rayon, nylon; terine, stretchlon, P.O.Y, manmade synthetic fibres, yams, staple fibres, wool and fibrous materials and the business of manufacturing texturising, weaving, bleaching, printing and cloth of all types whether knitted or looped and of buying, selling and / or dealing in silk stretchlon, rayon, nylon, khadi silk and generally to carry on the dealers in flax, hemp, artificial silk, synthetic cotton, staple fibres, wool and cloth merchants, cleaners, combbers, dyers and to transact all and any preparing processes and to give any special treatment to any of the above referred materials at any stage of production such as texturising, testing, crimping on own materials or belonging to others and / or to get the same done through others.
2. To take over the existing running business of M/s Chetan Textiles (Formerly Known as Vishal Textiles) running at 14-B, Paradise Park, Ashram road, Vadaj Ahmedabad 380 013 (Gujarat) with all the existing assets and liabilities.
3. To carry on the business of establishing, acquiring, developing and maintaining, industrial parks, special economic zones, industrial areas and industrial estates, for textile industries in India and outside India and to assist and maintain organization thereof to secure and assist rapid and orderly establishment, growth and development of industries and units in such industrial parks, areas, special economic zone, providing infrastructure facilities including land, power, water supply, telecommunication, roads, highways, bridges, airports, ports, railways systems, common social infrastructure and other essential, facilities for speedy development of the industrial parks, special economic zones and other real estate activities for the purpose to acquire, sell, dispose off lease, hire services of any nature, to take up, establish and maintain development works.

**Changes in Memorandum of Association since Incorporation:**

Date of shareholder's approval	Changes in the Memorandum of Association
January 24, 2006	The authorised share capital of our Company was increased from 2,50,000 Equity Shares aggregating to Rs. 25,00,000 to 20,00,000 Equity Shares aggregating to Rs. 2,00,00,000/-
March 31, 2006	The authorised share capital of our Company was increased from 20,00,000 Equity Shares aggregating to Rs. 2,00,00,000/- to 27,50,000 Equity Shares aggregating to Rs. 2,75,00,000/-
July 17, 2006	Conversion of our Company into a public limited company
October 25, 2006	The authorised share capital of our Company was increased from 27,50,000 Equity Shares aggregating to Rs. 2,75,00,000/- to 30,00,000 Equity Shares aggregating to Rs. 3,00,00,000/-
September 14, 2007	The authorised share capital of our Company was increased from 30,00,000 Equity Shares aggregating to Rs. 3,00,00,000/- to 1,50,00,000 Equity Shares aggregating to Rs. 15,00,00,000/-
September 14, 2007	Change of name of our Company from “Chetan Textiles Limited” to “Pradip Overseas Limited”
August 18, 2008	<p>Addition of the following clause in the “Main Objects Clause” :</p> <p>To carry on the business of establishing, acquiring, developing and maintaining, industrial parks, special economic zones, industrial areas and industrial estates, for textile industries in India and outside India and to assist and maintain organization thereof to secure and assist rapid and orderly establishment, growth and development of industries and units in such industrial parks, areas, special economic zone, providing infrastructure facilities including land, power, water supply, telecommunication, roads, highways, bridges, airports, ports, railways systems, common social infrastructure and other essential facilities for speedy development of the industrial parks, special economic zones and other real estate activities for the purpose to acquire, sell, dispose off lease, hire services of any nature, to take up, establish and maintain development works.</p>



<b>Date of shareholder's approval</b>	<b>Changes in the Memorandum of Association</b>
August 18, 2008	The authorised share capital of our Company was increased from 1,50,00,000 Equity Shares aggregating to Rs. 15,00,00,000/- to 4,20,00,000 Equity Shares aggregating to Rs. 42,00,00,000/-

### Subsidiaries

Our Company has no subsidiary as on date of the Red Herring Prospectus.

### Shareholders Agreements

As on date of the Red Herring Prospectus, there are no subsisting shareholders agreements among our shareholders in relation to our Company, of which our Company is aware.

### I. Scheme of Demerger (the “Scheme”)

With effect from April 01, 2006, the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) (PEL) (Demerged Entity) (Transferor Company) was demerged and the same was transferred into the erstwhile Chetan Textiles Limited (now Pradip Overseas Limited) (Transferee Company). The Scheme was approved by the High Court of Judicature at Gujarat on August 17, 2007.

With effect from April 01, 2006, the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) (PEL) (Demerged Entity) was demerged and the same was transferred into the erstwhile Chetan Textiles Limited (now Pradip Overseas Limited). Pursuant to the Scheme of Demerger, all the assets and liabilities in the name of the textile division of the Transferor Company were transferred to the transferee Company. The book value of the assets of the Textile division of Transferor Company comprised of Rs. 81,27,88,876/- (without taking into consideration of revaluation reserve) which comprising of land Rs.8,92,000/- , Building Rs. 3,88,24,335/- & Plant & Machineries Rs. 7,04,18,403/-, other fixed assets Rs. 89,76,884/-, Current assets of Rs. 69,33,26,248/- and other miscellaneous assets of Rs. 3,51,006/-. The Liabilities of the Transferor Company transferred to Transferee Company consist of Secured Loans Rs. 35,65,37,292/- , Unsecured Loans Rs. 3,77,14,804/- , current liabilities of Rs. 27,70,72,940/- and deferred tax liability of Rs. 57,04,354/-.

Pradip Enterprises Limited was incorporated on December 22, 1999 as Pradip Overseas Private Limited and was subsequently converted into a public limited company *vide* certificate of incorporation dated August 02, 2006 bearing the name as “Pradip Overseas Limited” with CIN U18101GJ1999PLC037059. Subsequently, the name of the company was changed from “Pradip Overseas Limited” to “Pradip Enterprises Limited” *vide* certificate of incorporation dated September 24, 2007. Pradip Enterprises Limited was promoted by Mr. Pradip Karia and Mr. Chetan Karia.

The shareholding pattern of the promoters of Pradip Enterprises Limited at the time of allotment of shares in Pradip Overseas Limited (*erstwhile Chetan Textiles Limited*) on September 14, 2007 pursuant to the Scheme of Demerger of the textile Unit of Pradip Enterprises Limited (*erstwhile Pradip Overseas Limited*) is as follows:

<b>Name of the promoters</b>	<b>Shares held in Pradip Enterprises Limited (<i>erstwhile Pradip Overseas Limited</i>) prior to the Scheme of Demerger</b>	<b>Shares allotted in Pradip Overseas Limited (<i>erstwhile Chetan Textiles Limited</i>) pursuant to the Scheme of Demerger</b>
Mr. Pradip Karia,	23,81,440	35,72,160
Mr. Chetan Karia	23,81,440	35,72,160

*The object of Demerger can be described as under:*

Demerger was carried out with a view to consolidate the group Textile manufacturing activities under single entity. Erstwhile Pradip Overseas Limited carried on two different businesses, being 1. Manufacturing of Textile Products and 2. Export of Agro Products, whereas erstwhile Chetan Textiles Limited (now Pradip Overseas Limited) carried on only Textile manufacturing business. By Demerger, Textile Business of erstwhile Pradip Overseas Limited was consolidated with the Textile business of Erstwhile Chetan Textiles Limited. The name of the post demerger entity was changed to Pradip Overseas Limited.



### *Transfer of Assets*

With effect from the Appointed Date (i.e. April, 1, 2006), the entire business on a going concern basis of the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) shall, without any further act, instrument or deed be and the same shall stand transferred to and vested in and / or deemed to be transferred to and vested in Chetan Textile Limited (now Pradip Overseas Limited) pursuant to the provisions of section 391 to 394 and other relevant provisions of the Companies Act, 1956.

Provided always that, this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by or available to erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited), if any, which shall vest in Chetan Textile Limited (now Pradip Overseas Limited) by virtue of demerger of the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) and erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) shall not be obliged to create any further or additional security therefore after this arrangement has become effective or otherwise.

### *Transfer of Movables*

- (a) In respect of such of the assets of the textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) undertaking as are movable in nature or are otherwise capable of transfer by physical delivery or by endorsement and delivery, the same shall be transferred by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) by handing over physical delivery to Chetan Textile Limited (now Pradip Overseas Limited) along with such other documents as may be necessary to the end and intent that the property therein passes to Chetan Textile Limited (now Pradip Overseas Limited) on such delivery.
- (b) In respect of movable assets other than those specified in (a) above, including sundry debtors, outstanding loans, recoverable in cash or in kind or value to be received, bank balances and deposits with Government, semi-government, local and other authorities, bodies and customers etc., erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) shall give notice in such form as it may deem fit and proper to each party, debtor or depositee as the case may be, that pursuant to the High Court of Gujarat having sanctioned the Scheme, the said debt, loan, advance, etc, be paid or made good or held on account of Chetan Textile Limited (now Pradip Overseas Limited) as the person entitled thereto to the end and intent that the right of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) to recover or realize the same stands extinguished. Erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) shall also give notice in such form as it may deem fit and proper to each person, debtor or depositee that pursuant to High Court of Gujarat having sanctioned the Scheme, the said person, debtor or depositee should pay the debt, loan or advance or make good the same or hold the same to its account and that the right of Chetan Textile Limited (now Pradip Overseas Limited) to recover or realize is in substitution of the right of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited).

### *Transfer of Other Assets*

In respect of such of the said Assets other than those referred to in sub-clause 3.2.1 & 3.2.2 of the Scheme of Arrangement for Demerger of the Textile Division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) into Chetan Textile Limited (now Pradip Overseas Limited), they shall, without any further act, instrument or deed, be transferred to and vested in and / or be deemed to be transferred and vested in Chetan Textile Limited (now Pradip Overseas Limited) pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956 as an integral part of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited).

### *Transfer of Liabilities*

The liabilities of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) as on the close of business on the day prior to the Appointed Date shall also, without any further act, instrument or deed be and stand vested in and / or deemed to be vested in Chetan Textile Limited (now Pradip Overseas Limited) pursuant to the provisions of Sections 391/394 of the Companies Act, 1956 so as to become as and from the Appointed Date, the debts, liabilities, duties and obligations of Chetan Textile Limited (now Pradip Overseas Limited) and further that it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, duties and obligations have arisen, in order to have effect to the provisions of this clause. To the extent that there are any loans, outstandings or balances due from erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) to Chetan Textile Limited (now Pradip Overseas Limited) or vice versa, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of accounts and records of Chetan Textile Limited (now Pradip Overseas Limited).



### *Legal Proceedings*

All legal or other proceedings pending on the Effective Date by or against erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) shall be continued and enforced by or against Chetan Textile Limited (now Pradip Overseas Limited) in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) if the Scheme had not been made. On and after the Effective Date, Chetan Textile Limited (now Pradip Overseas Limited) shall and may initiate any legal proceedings in respect of any causes of action accruing or accrued to erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited).

### *Staff, Workmen and Employees*

On the Effective Date, all the permanent staff, workmen and other employees of textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) and on the payroll (collectively known as “EMPLOYEES”) shall become the staff, workmen and employees of Chetan Textile Limited (now Pradip Overseas Limited), on the basis that :

- (a) There shall not be any break or interruption in their services
- (b) By reason of this transfer, the terms and conditions of service applicable to the said staff, workmen and employees after such transfer shall not in any way be less favourable to them than those applicable to them immediately before the transfer
- (c) For the purpose of payment of any retirement benefit / compensation, the uninterrupted past services of the EMPLOYEES shall also be taken into account.
- (d) Chetan Textile Limited (now Pradip Overseas Limited) will abide by the terms of agreements / settlements entered into by the union / associations of the EMPLOYEES with their respective previous employers
- (e) Chetan Textile Limited (now Pradip Overseas Limited) shall stand substituted for all purposes whatsoever in the superannuation fund, provident fund and gratuity fund or all other special funds (“FUNDS”) created or existing for the benefit of the staff, workmen or employees of textile division of Pradip.

### *Conduct of business by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) till effective date*

With effect from the appointed date and upto and including the effective date, erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited)

- (a) Shall carry on and be deemed to carry on all their business and activities in respect of the textile division and shall be deemed to have held and stood possessed of all their properties and assets for an on account of and in trust of textile division for Chetan Textile Limited (now Pradip Overseas Limited) and all the profits and incomes accruing to textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) or expenditure or losses arising or incurred by textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) shall, for all purposes, be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses of Chetan Textile Limited (now Pradip Overseas Limited), as the case may be
- (b) Undertakes to carry on their business until the effective date with reasonable diligence and business prudence and shall not alienate, charge, mortgage, encumber or otherwise deal with the undertaking or any part thereof except in the ordinary course of their business or pursuant to any pre-existing obligation undertaken by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited).
- (c) Shall not, without the written consent of Chetan Textile Limited (now Pradip Overseas Limited), vary the terms and conditions of the employment of their employees, except in the ordinary course of business and
- (d) Shall not with the written consent of Chetan Textile Limited (now Pradip Overseas Limited), undertake any new business.

### *Issue of Shares by Chetan Textile Limited (now Pradip Overseas Limited) / exchange ratio to the shareholders of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) pursuant to the scheme*



Upon the transfer / demerger of textile division of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) to Chetan Textile Limited (now Pradip Overseas Limited) and the vesting of the said assets and liabilities and the arrangement becoming effective in terms of this Scheme, then, in consideration of the arrangement and subject to the provisions of this Scheme, Chetan Textile Limited (now Pradip Overseas Limited) shall, without any further act, application and deed, issue and allot to the, equity shareholders of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) 3 equity shares in Chetan Textile Limited (now Pradip Overseas Limited) of Rs.10 each, credited as fully paid-up in the capital of Chetan Textile Limited (now Pradip Overseas Limited), for every 2 equity shares of the face value of Rs.10 (Rupees Ten only) each held by the shareholders in erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited).

The equity shares of Chetan Textile Limited (now Pradip Overseas Limited) to be issued and allotted to the equity shareholders of Pradip as mentioned hereinabove shall rank parri passu in all respects with the equity shares of Chetan Textile Limited (now Pradip Overseas Limited) save and except that such shares shall be entitled proportionate dividend in relation to any financial year ending on any date after the appointed date.

#### *Accounting Treatment*

- (a) Upon the coming into effect of the scheme, Chetan Textile Limited (now Pradip Overseas Limited) shall record all assets and liabilities vested in Chetan Textile Limited (now Pradip Overseas Limited) pursuant to the Scheme at their book values.
- (b) Chetan Textile Limited (now Pradip Overseas Limited) shall credit to its Share Capital Account in its books of account the aggregate face value of the new shares issued by it to the members of erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) pursuant to this Scheme.
- (c) To the extent that there are loans, deposits, balances or debenture holdings as between erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) and Chetan Textile Limited (now Pradip Overseas Limited), the obligations in respect thereof shall come to an end and there shall be no liability in that behalf and corresponding effect shall be given in the books of account and records of Chetan Textile Limited (now Pradip Overseas Limited) for the reduction of any assets or liabilities as the case may be. For the removal of doubt, it is clarified that in view of the above, there would be no accrual of interest or other charges in respect of any such loans, deposit or balances, with effect from the appointed date.

#### ***Financial Highlights of Pradip Overseas Limited (Erstwhile Chetan Textiles Limited) for the period ended March 31, 2006 prior to demerger***

#### **STATEMENT OF RESTATED ASSETS AND LIABILITIES**

<b>Particulars</b>	<i>(Rs. In Lacs)</i>
	<b>March 31, 2006</b>
<b>Assets</b>	
<b>Fixed Assets</b>	
Gross Block	3,453.55
Less : Depreciation & Amortisation	17.52
Net Block	3,436.03
Capital Work In Progress	571.92
Less : Revaluation Reserve	
Net Block (After adjustment for Revaluation Reserve)-(A)	4,007.95
<b>Investments - (B)</b>	
<b>Current assets, Loans and Advances</b>	
i) Current Assets:	
Inventories	555.90
DEPB License Stock	-
Receivables	46.29
Cash and Bank Balances	83.97



Particulars	March 31, 2006
ii) Loans and advances	303.89
Total - ( C )	990.05
Deferred Tax Assets - (D)	<b>91.79</b>
<b>Total Assets (E) = (A)+(B)+( C ) + (D)</b>	<b>5,089.79</b>
<b>Liabilities &amp; Provisions</b>	
Secured Loans	2,712.73
Unsecured Loans	96.90
Deferred Tax Liability	-
<b>Current Liabilities &amp; Provisions</b>	
Sundry Creditors	1,244.69
Provisions	-
<b>Total Liabilities (E)</b>	<b>4,054.32</b>
<b>Net worth (E) - (F)</b>	<b>1,035.47</b>
<b>Represented By:</b>	
<b>Shareholders Funds</b>	
i) Share Capital	249.25
ii) De merger Adjustment Account	-
iii) Reserves & Surplus	786.22
Less: Revaluation Reserves	-
iv) Reserves (Net of Revaluation Reserves)	786.22
v) Miscellaneous Expenditure (To the extent not written off)	-
vi) Dr. Balance of P & L A/c.	-
<b>Net Worth ((i) + (ii) + (iv) - (v))</b>	<b>1,035.47</b>

#### RESTATED STATEMENT OF PROFIT AND LOSS

(Rs. In Lacs)

Particulars	March 31, 2006
<b>INCOME</b>	
<b>Sales</b>	
a. Of products manufactured by the Company	
Domestic Sales	196.89
Indirect Exports	-
Direct Exports	-
b. Of products traded in by the Company	-
<b>Total</b>	<b>196.89</b>
Other Income	2.41
Increase (Decrease) In Inventory	24.15
<b>Total Income</b>	<b>223.45</b>
<b>EXPENDITURE</b>	
Raw Material Consumed	166.34
Cost of Goods Traded	-
Staff Costs	3.52
Other Manufacturing Expenses	42.33
Administrative Expenses	3.70
Selling & Distribution Expenses	0.02
<b>Total Expenditure</b>	<b>215.91</b>
<b>Profit Before Interest, Depreciation Income Tax, Amortisation &amp; Extraordinary Items (A-B)</b>	<b>7.54</b>
Interest	37.56
Depreciation & Amortisation	17.52



Particulars	March 31, 2006
Miscellaneous Expenditure Written Off	2.78
<b>Net Profit Before Tax And Extraordinary Items</b>	<b>(50.32)</b>
Provision For Taxation:	
Current Tax	-
Deferred Tax	(91.79)
Fringe Benefit Tax	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>41.47</b>
Extraordinary Items (Net Of Tax)	
Net Profit After Extraordinary Items & Prior Period Expenses	41.47
<b>Adjusted Profit</b>	<b>41.47</b>
Add: Balance Brought Forward	-
Less: Amount apportioned for issue of bonus shares	-
<b>Balance Carried To Balance Sheet</b>	<b>41.47</b>

#### RESTATED CASH FLOW STATEMENT

		(Rs.In Lacs)
Particulars	March 31, 2006	
<b>A. Cash Flow From Operation Activities</b>		
Net profit after tax and extraordinary items		41.47
Adjustment for :		
Deferred Tax		(91.79)
Depreciation		17.52
Financial Charges		37.56
Lease Rent		0.00
Amortisation & Miscellaneous Expenses		2.78
Interest on Fixed Deposits		(2.30)
Loss on sale of Fixed Assets		0.00
<b>Operation Profit Before Working Capital Changes</b>		<b>5.24</b>
Adjustments For:		
Inventories		(555.90)
Trade, Other receivables		(46.29)
Trade Payables & Provisions		1244.69
Loan and Advances		(303.89)
<b>Cash Generated From Operations</b>	<b>( A )</b>	<b>343.85</b>
<b>B. Cash Flow From Investing Activities</b>		
Preliminary Expenditure		(2.78)
Purchase of Fixed Assets		(4025.47)
Sale of Fixed Assets		0.00
Interest on Fixed Assets		2.30
<b>Net Cash Used in Investing Activities</b>	<b>( B )</b>	<b>(4025.95)</b>
<b>C. Cash Flow From Financing Activities</b>		
Net Proceeds from Borrowings		2809.63
Financing Changes		(37.56)
Issue of Equity Shares with premium		994.00
<b>Net Cash Used From Financing Activities</b>	<b>( C )</b>	<b>3766.07</b>
Net increase in cash and Cash equivalents	<b>( A + B + C )</b>	<b>83.23</b>
Cash and Cash equivalents (Opening)		0.00
Cash and Cash equivalents (Closing)		<b>83.97</b>

*Financial highlights of Pradip Enterprises Limited (erstwhile Pradip Overseas Limited) for five years prior to the demerger:*





**STATEMENT OF RESTATED ASSETS AND LIABILITIES**

(Rs. In Lacs)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Fixed Assets</b>					
Gross Block	1,920.80	1,383.45	393.21	-	-
Less: Amount of Revaluation	444.26	-	-	-	-
Less: Depreciation & Amortisation	285.42	116.50	8.22	-	-
Net Block	1,191.12	1,266.95	384.99	-	-
Capital Work In Progress	-	-	23.88	-	-
Less: Revaluation Reserve			-	-	-
Net Block (After adjustment for Revaluation Reserve)-(A)	1,191.12	1,266.95	408.87	-	-
<b>Investments-(B)</b>			-	-	-
<b>Current assets, Loans and Advances</b>					
i) Current Assets:					
Inventories	6,933.60	2,705.75	1,860.60	-	-
DEPB License Stock	14.95	-	-	-	-
Receivable	2,330.11	373.79	349.97	-	-
Cash and Bank Balances	290.94	97.56	47.08	2.28	0.28
ii) Loans and advances	633.70	157.88	473.86	-	-
Total – (C)	10,203.30	3,334.98	2,731.51	2.28	0.28
Deferred Tax Assets – (D)	-	-	-	-	-
<b>Total Assets (E)=(A)+(B)+(C)+(D)</b>	<b>11,394.42</b>	<b>4,601.93</b>	<b>3,140.38</b>	<b>2.28</b>	<b>0.28</b>
<b>Liabilities &amp; Provisions</b>					
Secured Loans	4,529.37	835.77	1,883.26	-	-
Unsecured Loans	377.15	546.30	167.95	1.58	0.58
Deferred Tax Liability	50.98	61.98	0.47	-	-
<b>Current Liabilities &amp; Provisions</b>					
Sundry Creditors	4,225.04	2,611.12	888.51	0.03	0.02
Provisions	214.76	13.00	-	-	-
<b>Total Liabilities (E)</b>	<b>9,397.30</b>	<b>4,068.17</b>	<b>2,940.59</b>	<b>1.61</b>	<b>0.60</b>
<b>Net worth (E) –(F)</b>	<b>1,997.12</b>	<b>533.76</b>	<b>199.79</b>	<b>0.67</b>	<b>(0.32)</b>
<b>Represented By:</b>					
<b>Shareholders Funds</b>					
i) Share Capital	613.99	219.99	200.00	1.20	0.20
ii) De merger Adjustment Account	-	-	-	-	-
iii) Reserves & Surplus	1,830.90	314.13	0.27	-	-
Less: Revaluation Reserves	444.26	-	-	-	-
iv) Reserves (Net of Revaluation Reserves)	1,386.64	314.13	0.27	-	-
v) Miscellaneous Expenditure (To the extent not written off) (See Note 1)	3.51	0.36	0.48	0.08	0.17
vi) Dr. Balance of P & L A/c.	-	-	-	0.45	0.35
<b>Net Worth ((i) + (ii) + (iv) – (v))</b>	<b>1,997.12</b>	<b>533.76</b>	<b>199.79</b>	<b>0.67</b>	<b>(0.32)</b>



## RESTATED STATEMENT OF PROFIT AND LOSS

(Rs. in Lacs)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Sales</b>					
a. Of products manufactured by the Company					
Domestic Sales	3,585.42	8,405.23	-	-	-
Indirect Exports	3,998.96	-	-	-	-
Direct Exports	2,691.46	1,526.38	1033.16	-	-
b. Of products traded in by the Company	26,047.46	-	-	-	-
	<b>36,323.30</b>	<b>9,931.61</b>	<b>1033.16</b>	-	-
Other Income	417.48	90.05	86.06	-	-
Increase (Decrease) In Inventory	2,711.82	(274.75)	1413.76	-	-
<b>Total Income</b>	<b>39,452.60</b>	<b>9,746.91</b>	<b>2532.98</b>	-	-
<b>EXPENDITURE</b>					
Raw Material Consumed	9,381.58	7,680.44	1950.94	-	-
Cost of Goods Traded	26,478.43	-	-	-	-
Staff Costs	45.37	33.84	6.23	-	-
Other Manufacturing Expenses	1,498.48	1,130.62	428.70	-	-
Administrative Expenses	237.67	134.04	31.71	0.01	0.01
Selling & Distribution Expenses	258.43	136.34	41.29	-	-
<b>Total Expenditure</b>	<b>37,899.96</b>	<b>9,115.28</b>	<b>2458.87</b>	<b>0.01</b>	<b>0.01</b>
<b>Profit Before Interest, Depreciation, Income Tax, Amortisation &amp; Extraordinary Items (A-B)</b>	<b>1,552.64</b>	<b>631.63</b>	<b>74.11</b>	<b>(0.01)</b>	<b>(0.01)</b>
Interest	625.71	303.19	64.50	-	-
Depreciation & Amortisation	168.93	108.28	8.22	-	-
Miscellaneous Expenditure Written off	0.93	0.12	0.20	0.09	0.09
<b>Net Profit Before Tax And Extraordinary Items</b>	<b>757.07</b>	<b>220.04</b>	<b>1.19</b>	<b>(0.10)</b>	<b>(0.10)</b>
Provision For Taxation:					
Current Tax	280.27	24.67	-	-	-
Deferred Tax	(10.99)	61.51	0.47	-	-
Fringe Benefit Tax	6.28	-	-	-	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>481.51</b>	<b>133.86</b>	<b>0.72</b>	<b>(0.10)</b>	<b>(0.10)</b>
Extraordinary Items (Net of Tax)			-	-	-
Net Profit After Extraordinary Items & Prior Period Expenses	481.51	133.86	0.72	(0.10)	(0.10)
Adjusted Profit	<b>481.51</b>	<b>133.86</b>	<b>0.72</b>	<b>(0.10)</b>	<b>(0.10)</b>
Add: Balance Brought Forward	134.13	0.27	(0.45)	(0.35)	(0.25)
Less: Amount apportioned for issue of bonus shares	-	-	-	-	-
<b>Balance Carried To Balance Sheet</b>	<b>615.64</b>	<b>134.13</b>	<b>0.27</b>	<b>(0.45)</b>	<b>(0.35)</b>



## RESTATED CASH FLOW STATEMENT

(Rs. In Lacs)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>A. Cash Flow From Operation Activities</b>					
Net profit after tax and extraordinary items	481.51	133.86	0.72	(0.10)	(0.10)
Adjustments for:					
Deferred tax	(10.99)	61.51	0.47	0.00	0.00
Depreciation	168.93	108.28	8.22	0.00	0.00
Financial Charges	625.71	303.19	64.50	0.00	0.00
Lease Rent	0.00	0.00	0.00	0.00	0.00
Amortisation & Miscellaneous Expenses	0.93	0.12	0.20	0.09	0.09
Interest on Fixed Deposits	(14.47)	(3.08)	(0.18)	0.00	0.00
Loss on sale of Fixed Assets	0.00	0.00	0	0.00	0.00
<b>Operation Profit Before Working Capital Changes</b>	<b>1251.62</b>	<b>603.88</b>	<b>73.93</b>	<b>(0.01)</b>	<b>(0.01)</b>
Adjustment for:					
Inventories	(4242.81)	(845.15)	(1860.60)	0.00	0.00
Trade, Other receivables	(1956.32)	(23.82)	(349.97)	0.00	0.00
Trades Payables & Provisions	1815.68	1735.61	888.48	0.01	0.01
Loan and Advances	(475.82)	315.98	(473.86)	0.00	0.00
<b>Cash Generated From Operations (A)</b>	<b>(3607.65)</b>	<b>1786.50</b>	<b>(1722.02)</b>	<b>0.00</b>	<b>0.00</b>
<b>B. Cash Flow From Investing Activities</b>					
Preliminary Expenditure	(4.09)	0.00	(0.60)	0.00	0.00
Purchase of Fixed Assets	(93.09)	(966.36)	(417.09)	0.00	0.00
Sale of Fixed Assets	0.00	0.00	0.00	0.00	0.00
Interest on Fixed Deposits	14.47	3.08	0.18	0.00	0.00
<b>Net Cash used in Investing Activities (B)</b>	<b>(82.71)</b>	<b>(963.28)</b>	<b>(417.51)</b>	<b>0.00</b>	<b>0.00</b>
<b>C. Cash Flow From Financing Activities</b>					
Net Proceeds from Borrowings	3524.45	(669.54)	2050.03	1.00	0.00
Financing Charges	(625.71)	(303.19)	(64.50)	0.00	0.00
Issue of Equity Shares with premium	985.00	199.99	198.80	1.00	0.00
<b>Net Cash Used From Financing Activities (C)</b>	<b>3883.74</b>	<b>(772.74)</b>	<b>2184.33</b>	<b>2.00</b>	<b>0.00</b>
<b>Net increase in cash &amp; Cash (A+B+C)</b>	<b>193.38</b>	<b>50.48</b>	<b>44.80</b>	<b>2.00</b>	<b>0.00</b>



<b>Particulars</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>March 31, 2003</b>	<b>March 31, 2002</b>
equivalents					
Cash and Cash equivalents (Opening)	97.56	47.08	2.28	0.28	0.28
Cash and Cash equivalents (Closing)	290.94	97.56	47.08	2.28	0.28

**Other Agreements**

We are not a party to, nor have we entered into, any other material contract not being a contract:

- (1) entered into in the normal course of business carried on, or intended to be carried on, by our Company; or
- (2) entered into more than two years before the date of the Red Herring Prospectus.

**Strategic Partners**

Our Company does not have any strategic partners as on date of the Red Herring Prospectus.

**Financial Partners**

Our Company does not have any financial partners as on date of the Red Herring Prospectus.



## OUR MANAGEMENT

Our Company is currently managed by Board of Directors comprising of six Directors. Mr. Pradipkumar Karia is our Chairman-cum-Managing Director and in charge of overall management of our Company subject to the supervision and control of the Board. As per our Articles of Association, our Board shall consist of not less than three Directors and not more than twelve Directors.

### OUR DIRECTORS

Our Board consists of six Directors of which three are independent Directors and our Chairman is an Executive and Non-Independent Director. The following table sets forth the details regarding our Board of Directors as on the date of the Red Herring Prospectus.

Sr. No.	Full Name, Father's / Husband's Name, Address, Designation, Occupation, DIN and Nationality.	Date of Appointment and Terms of Office	Age	Other Directorships
1.	<p><b>Mr. Pradipkumar Karia</b> S/o Late Mr. Jayantilal Karia</p> <p>11, Nilima Park Society, Near Vijay Char Rasta, Navrangpura, Ahmedabad - 380009.</p> <p><b>Designation:</b> Chairman-cum-Managing Director.</p> <p><b>Occupation:</b> Industrialist <b>DIN:</b> 00123748 <b>Nationality:</b> Indian</p>	<p>Appointed as first Director and Chairman of our Company- June 29, 2005</p> <p>Appointed as a Managing Director of our Company with effect from September 19, 2007 pursuant to Scheme of Demerger.*</p> <p>Terms of office: Holds office as Managing Director till August 31, 2011 (subject to retirement by rotation as Director)</p>	48	<p><b><u>Public Limited Companies:</u></b></p> <ol style="list-style-type: none"> <li>1. Pradip Enterprises Limited</li> <li>2. Pradip Energy Limited</li> </ol>
2.	<p><b>Mr. Chetan Karia</b> S/o Late Mr. Jayantilal Karia</p> <p>5, Raj Laxmi Bhavan, Usmanpura, Opposite Champaner Society, Ahmedabad - 380013</p> <p><b>Designation:</b> Wholetime Director</p> <p><b>Occupation:</b> Industrialist <b>DIN:</b>00191790 <b>Nationality:</b> Indian</p>	<p>Appointed as first Director of our Company -June 29, 2005</p> <p>Appointed as a Wholetime Director of our Company with effect from September 19, 2007 pursuant to Scheme of Demerger**</p> <p>Terms of office: Holds office as Wholetime Director of our Company till August 31, 2011 (subject to retirement by rotation as Director)</p>	46	<p><b><u>Public Limited Companies:</u></b></p> <ol style="list-style-type: none"> <li>1. Pradip Enterprises Limited</li> <li>2. Pradip Energy Limited</li> </ol>
3.	<p><b>Mr. Vishal Karia</b> S/o Mr. Ramesh Karia</p> <p>Ram Kutir, 12 Paradise Park, Wadaj, Ahmedabad - 380013</p>	<p>Appointed as first Director of our Company -June 29, 2005</p> <p>Appointed as a Wholetime Director with effect from September 19, 2007 pursuant to Scheme of Demerger***</p>	28	<p><b><u>Public Limited Companies:</u></b></p> <ol style="list-style-type: none"> <li>1. Pradip Enterprises Limited</li> <li>2. Pradip Energy Limited</li> </ol>



Sr. No.	Full Name, Father's / Husband's Name, Address, Designation, Occupation, DIN and Nationality.	Date of Appointment and Terms of Office	Age	Other Directorships
	<b>Designation:</b> Wholetime Director  <b>Occupation:</b> Industrialist <b>DIN:</b> 00514884 <b>Nationality:</b> Indian	Terms of office: Holds office as Wholetime Director till September 30, 2011 (subject to retirement by rotation as Director)		
4.	<b>Mr. Jivan Singh Negi</b> S/o Late Mr. Ganga Singh Negi  S/4, Udit Apartment, Near Gajanand Society, Ganesh Circle, Podis – Anand, Gujarat - 388001  <b>Designation:</b> Independent Director  <b>Occupation:</b> Management Consultant <b>DIN:</b> 01656455 <b>Nationality:</b> Indian	October 15, 2007  Terms of office: liable to retire by rotation	53	<i>NIL</i>
5.	<b>Mr. Sudhir Jumani</b> S/o. Balraj Jumani  B-234, Lane No.12, Satyagrah Chhavni, Satellite, Ahmedabad Gujarat- 380015  <b>Designation:</b> Independent Director  <b>Occupation:</b> Management Consultant  <b>DIN:</b> 02953771 <b>Nationality:</b> Indian	February 09, 2010  Terms of office: liable to retire by rotation	50	<u><i>NIL</i></u>
6.	<b>Mr. Ramdas Gурpur Kamath</b> S/o Mr. Ganpathy Gурpur Kamath  Flat No. 1 Swarn Roopa Building, Plot No. 300, 5 <sup>th</sup> Road Diamond Garden, Chembur (E), Mumbai, Maharashtra - 400007  <b>Designation:</b> Independent Director  <b>Occupation:</b> Retired Bank Employee <b>DIN :</b> 02234255 <b>Nationality:</b> Indian	June 18, 2008  Terms of office: liable to retire by rotation	65	<b><u>Public Limited Companies:</u></b> 1. Niraj Cement Structural Limited 2. Lark Wire Nonferrous Metal Limited

**Note:** None of the above mentioned Directors are on the RBI List of wilful defaulters as on date.

\*Mr. Pradipkumar Karia was appointed as the Managing Director of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) vide resolution passed in EGM dated August 30, 2006. Pursuant to the terms of the Court Order dated August 17, 2007 in relation to the Scheme of Demerger, Mr. Pradipkumar Karia holds the office of Managing Director of our Company with effect from September 19, 2007. He resigned as Managing Director of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) with effect from September 19, 2007. Currently he is the Chairman-cum-Managing Director of our Company.



\*\*Mr. Chetan Karia was appointed as the Wholetime Director of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) *vide* resolution passed in EGM dated August 30, 2006. Pursuant to the terms of the Court Order dated August 17, 2007 in relation to the Scheme of Demerger, Mr. Chetan Karia holds the office of Wholetime Director of our Company with effect from September 19, 2007. He resigned as the Wholetime Director of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) with effect from September 19, 2007. Currently he is the Wholetime Director of our Company.

\*\*\*Mr. Vishal Karia was appointed as the Wholetime Director of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) *vide* resolution passed in EGM dated August 30, 2006. Pursuant to the terms of the Court Order dated August 17, 2007 in relation to the Scheme of Demerger, Mr. Vishal Karia holds the office of Wholetime Director of our Company with effect from September 19, 2007. He resigned as the Wholetime Director of the erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) with effect from September 19, 2007. Currently he is the Wholetime Director of our Company.

### **Brief Profile of our Directors**

For a brief profile of our Promoter Directors Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia please refer chapter titled “*Our Promoters and their Background*” beginning on page 146 of the Red Herring Prospectus.

#### **1. Mr. Jivan Singh Negi, Independent Director, Age: 53 Years.**

Mr. Jivan Singh Negi is an Independent Director of our Company. He holds a Bachelors degree in Civil Engineering from the Institution of Engineers, India, Diploma in Management from All India Management Association and has also pursued an International Post-graduate course in Hydrometeorology and Project Management from Regional Metrological Centre, Bet Dagan, Israel. He was inducted on the Board of Directors of our Company in the year 2007. He has a long standing experience as a project management consultant for textiles, dairy and infrastructure projects. In a career commencing in 1981, he has worked for three years as a lecturer of Civil Engineering in Government Polytechnic, Ajmer; he has worked as a Senior Manager (Project Management) in National Dairy Development Board, Anand for 14 years with a responsibility to handle dairy projects and allied projects in Gujarat and Western India and he has also worked on deputation from National Dairy Development Board to Taj Group of Hotels as General Manager (Projects) for one year with a responsibility to handle six air catering projects.

#### **2. Mr. Sudhir Jumani, Independent Director, Age: 50 years.**

Mr. Sudhir Jumani, is an Independent Director of our Company. He holds a Bachelors degree in Commerce from the Gujarat University. He was inducted on the Board of Directors of our Company in the year 2010. In a career commencing in 1979, he has worked for Sachin Sizars Private Limited as production and marketing manager and Jindal India Private Limited as a export and marketing manager. Since 1995, he has been running his own consultancy business which represents german textile companies in India, China, Pakistan & Bangladesh for sourcing and product development operations. He is also a visiting faculty member of H.L College of Commerce, Ahmedabad since the last 3 years. He brings to the Company, his vast experience in the textile industry, spanning over 30 years.

#### **3. Mr. Ramdas Gurple Kamath, Independent Director, Age: 65 years.**

Mr. Ramdas Kamath Gurple is an Ex-General Manager of Canara Bank, He obtained his degree in commerce and accounting at St. Alyonis College Mangalore was inducted in the Board of Directors of our Company in the year 2008. He has an experience of thirty eight (38) years in the banking industry. He is a Certified Associate of Indian Institute of Bankers. Mr. Kamath joined Canara Bank in the year 1966 and during his career held various positions including General Manager, Canara Bank heading North Circle, Mumbai.

### **BORROWING POWERS OF BOARD OF DIRECTORS**

The borrowing powers of our Directors are regulated by Articles 95, 96, 97, 98 and 99 of the Articles of Association of our Company.

Pursuant to an ordinary resolution passed at the EGM held on January 01, 2010, our Directors are authorised to borrow money(s) in excess of the paid up share capital and the free reserves of our Company from time to time, pursuant to the provisions of Section 293(1)(d) of the Companies Act, subject to an amount not exceeding Rs. 1000 crores.



## COMPENSATION AND BENEFITS TO THE MANAGING DIRECTOR / WHOLE TIME DIRECTORS

None of the Directors, as mentioned below have entered into any service contract with our Company, which provides for benefits upon termination of employment.

Sr. No.	Name of Director	Designation	Compensation paid for the Financial Year 2008-09
1.	Mr. Pradipkumar Karia	Chairman-cum-Managing Director	Rs. 1,11,00,000
2.	Mr. Chetan Karia	Wholetime Director	Rs. 99,00,000
3.	Mr. Vishal Karia	Wholetime Director	Rs. 69,00,000

### 1. Terms of appointment and compensation of Mr. Pradipkumar Karia, Chairman-cum-Managing Director is as follows:

The remuneration of Mr. Pradipkumar Karia has been increased to Rs. 120 Lacs per annum with effect from July 1, 2008 *vide* resolution passed at the AGM held on August 18, 2008.

Particulars	Remuneration
Salary	Rs. 10.00 Lacs per month.
Gratuity	15 days salary of each year of service.
Medical Expenses	Reimbursement of medical expenses upto one month's salary
Club Fees	Membership fees for 2 clubs exclusive of the admission fees and life membership fees.
Provident Fund	Contribution to the provident fund to the extent it is not taxable under the Income Tax Act, 1961.

### 2. Terms of appointment and compensation of Mr. Chetan Karia, Whole Time Director is as follows:

The remuneration of Mr. Chetan Karia was fixed at Rs. 108 Lacs per annum with effect from July 1, 2008 *vide* the resolution passed at the Annual General Meeting of the Shareholders dated August 18, 2008.

Particulars	Remuneration
Salary	Rs. 9.00 Lacs per month.
Gratuity	15 days salary of each year of service.
Medical Expenses	Reimbursement of medical expenses upto one month's salary
Provident Fund	Contribution to the provident fund to the extent it is not taxable under the Income Tax Act, 1961.

### 3. Terms of appointment and compensation of Mr. Vishal Karia, Whole Time Director is as follows:

The remuneration of Mr. Vishal Karia was fixed at Rs. 72 Lacs per annum with effect from July 1, 2008 *vide* the resolution passed at the Annual General Meeting of the Shareholders dated August 18, 2008.

Particulars	Remuneration
Salary	Rs. 6 Lacs per month.
Gratuity	15 days salary of each year of service.
Medical Expenses	Reimbursement of medical expenses upto one month's salary
Club Fees	Membership fees for 2 clubs exclusive of the admission fees and life membership fees.
Provident Fund	Contribution to the provident fund to the extent it is not taxable under the Income Tax Act, 1961.

### Sitting Fees payable to Non Executive Directors

Sitting fees of Rs. 15,000 per meeting is payable to our Non-Executive and Independent Directors for attending Board and Committee Meetings, as approved *vide* Board resolution dated June 18, 2008.





### Policy On Disclosures & Internal Procedure For Prevention Of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges.

**Mr. Kaushik Kapadia**, Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

### Shareholding of Directors

As per our Articles of Association of our Company, a Director is not required to hold any shares in our Company to qualify him for the office of Director of our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as on the date of the Red Herring Prospectus:

Sr. No.	Name of the Directors	No of Equity Shares held	Percentage (%) of holding in our Company
1.	Mr. Pradipkumar Karia	74,07,876	24.89
2.	Mr. Chetan Karia	74,07,874	24.89
3.	Mr. Vishal Karia	35,71,950	12.00
4.	Mr. Jivan Singh Negi*	1,50,000	0.50
5.	Mr. Sudhir Jumani	Nil	Nil
6.	Mr. Ramdas Gurple Kamath	Nil	Nil
<b>Total</b>		<b>1,85,37,700</b>	<b>62.28</b>

\*These Equity Shares are held by Mr. Jivan Singh Negi jointly with Mrs. Sangita Singh Negi.

None of our Directors or Key Managerial Personnel are “relatives” within the meaning of Section 6 of the Companies Act except as stated below:

Name of the Director	Relationship
Mr. Pradipkumar Karia	Brother of Mr. Chetan Karia
Mr. Chetan Karia	Brother of Mr. Pradipkumar Karia

*Note: Although Mr. Vishal Karia is not a “relative” in terms of Section 6 of the Companies Act, he is related to Mr. Pradipkumar Karia and Mr. Chetan Karia. He is the nephew of Mr. Pradipkumar Karia and Mr. Chetan Karia, and both of them are uncles of Mr. Vishal Karia.*

### INTEREST OF DIRECTORS

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board, commission payable to our Non-executive Directors as well as to the extent of remuneration payable to our executive Directors for their services as executive directors of our Company and reimbursement of expenses payable to them under our Articles of Association. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives or firms, trusts or other entities/ bodies corporate in which they have interest, and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Our non-Promoter Directors may also be deemed to be interested in the Equity Shares, if any, out of the present Issue that may be subscribed by and Allotted/transferred to the companies, firms and trusts and other entities/bodies corporate in which they are interested as Directors, members, partners and/or trustees or otherwise as also any benefits, monetary or otherwise derived there from.

Our Company was formed by conversion of a partnership firm, that is, M/s. Chetan Textiles, into our Company, and our Promoters and Directors, who were partners in M/s. Chetan Textiles, acquired Equity Shares in our Company accordingly.



Further, save and except as stated otherwise in the chapters titled "Business Overview", "Our Promoters and their Background" and section titled "Financial Statements" beginning on pages 92, 146 and 150, respectively, of the Red Herring Prospectus, our Directors do not have any other interests in our Company as on the date of the Red Herring Prospectus

#### Interest as to Property

Except as stated/referred to in the chapter titled "Business Overview" under the head "Properties" and chapter titled "Our Promoters and their Background" under the head "Interest of Promoters" beginning on pages 92 and 146 respectively of the Red Herring Prospectus, our Directors do not have any interest:

- i. in the promotion of our Company; or
- ii. in any property acquired by our Company within two years from the date of the Red Herring Prospectus, or proposed to be acquired by our Company

#### Unsecured Loans

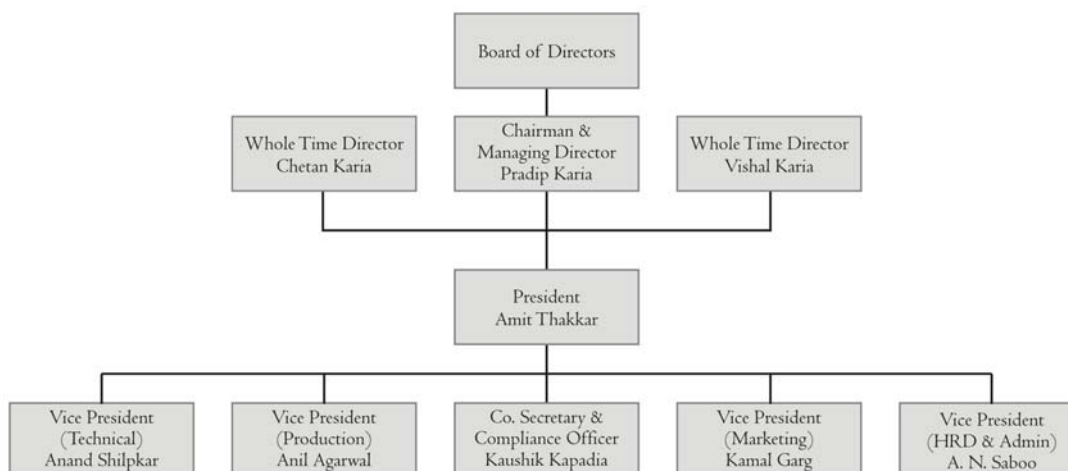
Our Company has not taken any unsecured loans from Directors which are outstanding as on December 31, 2009.

#### CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

The following changes have taken place in the Board of Directors of our Company during the last three years:

Name of the Director	Date of Appointment	Date of Resignation	Remarks
Mr. Pradipkumar Karia	September 19, 2007	N.A.	Appointed as Managing Director
Mr. Chetan Karia	September 19, 2007	N.A.	Appointed as Wholetime Director
Mr. Vishal Karia	September 19, 2007	N.A.	Appointed as Wholetime Director
Mr. Jivan Singh Negi	October 15, 2007	N.A.	Appointed as Independent Director.
Dr. Om Prakash Pahuja	June 18, 2008	January 09, 2010	Resignation
Mr. Gurpur Ramdas Kamath	June 18, 2008	N.A.	Appointed as Independent Director
Mr. Sudhir Jumani	February 09, 2010	N.A.	Appointed as an Additional Director

#### ORGANISATIONAL CHART OF OUR COMPANY



#### CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with BSE and NSE with respect to corporate governance and the SEBI (ICDR) Regulations, 2009 in respect of corporate governance will be applicable to our Company at the time of seeking in principle approval for listing of our Company's Equity Shares with the Stock Exchanges. Our Company has complied with Listing



Agreement in respect of Corporate Governance specially with respect to broad basing of Board, constituting the Committees such as Shareholders/Investors Grievance Committee, Audit Committee and Remuneration Committee.

In terms of the Clause 49 of the Listing Agreement, our Company has already appointed Independent Directors and constituted the following Committees of the Board:

1. Audit Committee
2. Remuneration Committee
3. Shareholders/Investors Grievance Committee

#### **Audit Committee**

Our Board constituted an Audit Committee, pursuant to the provisions of Section 292A of the Companies Act. The constitution of the Audit Committee was approved at a meeting of the Board of Directors held on September 14, 2007 and the same was reconstituted *vide* the Board resolution dated June 18, 2008. Further *vide* Board Resolution dated February 09, 2010 the Audit Committee of our Company was reconstituted.

Our Company was not in compliance with certain requirements of section 292A of the Companies Act as regards to the constitution of the Audit Committee which our Company is now currently complying with. The Audit Committee of our Company which was originally constituted, *vide* meeting of the Board of Directors held on September 14, 2007 was not in compliance with the provisions of section 292A of the Companies Act, since it consisted of three whole-time Directors. It was reconstituted *vide* Board resolution dated June 18, 2008 in accordance with the provisions of section 292A of the Companies Act.

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the Listing Agreement, which will be entered into with the Stock Exchanges in due course. The committee consists of three independent directors and one Executive Director.

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Ramdas Gurpur Kamath	Chairman	Independent Director
2.	Mr. Jivan Singh Negi	Member	Independent Director
3.	Mr. Pradipkumar Karia	Member	Executive Director
4.	Mr. Sudhir Jumani	Member	Independent Director

Our Company Secretary Mr.Kaushik Kapadia, will act as the secretary of the Committee.

The terms of reference of our Audit Committee are given below:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Appointment, removal and terms of remuneration of internal auditors
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  1. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act;
  2. Changes, if any, in accounting policies and practices and reasons for the same;
  3. Major accounting entries involving estimates based on the exercise of judgment by management;
  4. Significant adjustments made in the financial statements arising out of audit findings;
  5. Compliance with listing and other legal requirements relating to the financial statements;
  6. Disclosure of any related party transactions;
  7. Qualifications in the draft audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.



- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussions with internal auditors on any significant findings and follow up thereon.
- Reviewing internal audit reports and adequacy of the internal control systems.
- 
- Reviewing management letters / letters of internal control weaknesses issued by the statutory auditors
- Internal audit reports relating to internal control weaknesses
- Review statement of significant related party transactions
- Review of management discussion and analysis of financial condition and results of operations
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism, when the same is adopted by the Company and is existing.
- Carrying out any other function as may be statutorily required to be carried out by the Audit Committee.

#### Particulars of Audit Committee's meetings:

Date of Meetings	No. of Meetings Held	Members Present	Matters discussed	Decision taken
June 17, 2008	First	1. Mr. Pradip Kumar Karia (Chairman) 2. Mr. Chetan Karia (Member) 3. Mr. Vishal Karia (Member) 4. Mr. Sanjiv Adhvaryu (Company Secretary)	(a) Reviewing the Annual Financial statements for the year 2007-08  (b) Overseeing the financial report process and the disclosures of financial information for the year 2007-08 to ensure the correctness sufficiency and credibility of the aforesaid accounts  (c) Recommending the Board appointment of the Auditors of our Company and payments to the statutory Auditors	(a) After review of the accounts the same were submitted to the Board of Directors of our Company for their consideration  (b) The Committee confirmed that the process carried out and disclosures made in the accounts for the year 2007-08 are correct, sufficient and credible.  (c) The name of the present Auditors of our Company was recommended to the Board of Directors and the remuneration payable to them for the year 2008-09 was also recommended to them.
August 28, 2008	Second	1. Mr. Ramdas Gurpur Kamath	Reviewing the Financial statements for the quarter ended June 30, 2008	After review of the accounts for the quarter ended June 30, 2008,



Date of Meetings	No. of Meetings Held	Members Present	Matters discussed	Decision taken
		(Chairman) 2. Mr. Jivan Singh Negi (Member) 3. Mr. Om Prakash Pahuja (Member) 4. Mr. Pradip Kumar Karia 5. Mr. Sanjiv Adhvaryu (Company Secretary)		the same were submitted to the Board of Directors of our Company for their consideration.
December 12, 2008	Third	1. Mr. Ramdas Gurpur Kamath (Chairman) 2. Mr. Jivan Singh Negi (Member) 3. Mr. Om Prakash Pahuja (Member) 4. Mr. Pradip Kumar Karia 5. Mr. Kaushik Kapadia (Company Secretary)	Restated Accounts for the year 2005-06, 2006-07, 2007-08 and for the quarter ended June 30, 2008 were reviewed for incorporating the same in the Draft Red Herring Prospectus to be filed with SEBI	The restated Accounts for the year 2005-06, 2006-07, 2007-08 and for the quarter ended June 30, 2008 were submitted to the Board for its consideration and submission to the Auditors for their report thereon.
March 30, 2009	Fourth	1. Mr. Jivan Singh Negi (Member) 2. Mr. Pradip Kumar Karia (Member) 3. Mr. Kaushik Kapadia (Company Secretary)	Review of the internal control system	The internal control system was found appropriate considering the size of the business.
July 09, 2009	Fifth	1. Mr. Jivan Singh Negi (Member) 2. Mr. Pradip Kumar Karia (Member) 3. Mr. Kaushik Kapadia (Company Secretary)	(a) Review of the Annual Financial Statements for the year ended March 31, 2009.  (b) Discussion to recommend the Board of Directors and Shareholders of the Company for re-appointment of M/s. Ashok Dhariwal & Co. Chartered Accountants as a Statutory Auditor of	(a) After review, the Annual Financial Statements for the year ended March 31, 2009 and the same were submitted to the Board of Directors of the Company  (b) After discussion, recommendation was made to the Board of Directors and Shareholders of the Company for re-appointment of M/s. Ashok



Date of Meetings	No. of Meetings Held	Members Present	Matters discussed	Decision taken
			our Company for the financial year 2009-10.	Dhariwal & Co. Chartered Accountants as a Statutory Auditor of the Company for the financial year 2009-10.
			(c) Recommendation was for remuneration payable to the Auditors for the financial year 2008-09	(c) The remuneration payable to the Auditors of our Company for the year 2008-09 was recommended.
September 02, 2009	Sixth	1. Mr. Jivan Singh Negi (Member) 2. Mr. Pradip Kumar Karia (Member) 3. Mr. Kaushik Kapadia (Company Secretary)	(a) Review of the financial statement of the Company for the quarter ended June 30, 2009	(a) Reviewed the profit and loss account of the company for the quarter ended June 30, 2009 along with the balance sheet and the schedules thereon along with the restated statement of accounts for the financial years 2005-06,2006-07,2007-08,2008-09 and the same was submitted to the Board of Directors of the company for its consideration, approval and further action.
November 11, 2009	Seventh	1. Mr. Jivan Singh Negi (Member) 2. Mr. Pradip Kumar Karia (Member) 3. Mr. Kaushik Kapadia (Company Secretary)	Review of the Company's accounts for the half year ended September 30, 2009	Reviewed the profit and loss account of the company for the half year ended September 30,2009 along with the balance sheet and the schedules thereon along with the restated statement of accounts for the financial years 2005-06,2006-07,2007-08,2008-09 and the same was submitted to the Board of Directors of the company for its consideration, approval and further action.
February 09, 2010	Eighth	1. Mr. Ramdas Gurple Kamath (Chariman) 2.Mr. Jivan Singh Negi (Member) 3. Mr. Pradip Kumar Karia (Member) 4. Mr. Kaushik Kapadia (Company Secretary)	Review of the Company's accounts as of December 31, 2009	Reviewed the profit and loss account of the company for the nine months ended December 31, 2009 along with the balance sheet and the schedules thereon along with the restated statement of accounts for the financial years 2005-06,2006-07,2007-08,2008-09 and the same was submitted to the Board of Directors of the company for its consideration, approval and further action.

The next meeting of the aforesaid committee, shall be convened as and when the business is required to be carried out by the committee. Neither notices have been issued as on the date of filing of the Red Herring Prospectus, for the next meeting of the aforesaid committee nor the next date for the meeting of the aforesaid committee has been decided.

#### Shareholders'/ Investors' Grievances Committee



The Shareholders' / Investors' Grievance Committee has been formed by the Board of Directors at the meeting held on June 18, 2008, in compliance with Clause 49 of the Listing Agreement. Further *vide* Board Resolution dated February 09, 2010 the Shareholders' / Investors' Grievance Committee of our Company was reconstituted. The Shareholders' / Investors' Grievance Committee has been constituted with the following Directors: -

Name	Designation	Nature of Directorship
Mr. Jivan Singh Negi	Chairman	Independent Director
Mr. Pradipkumar Karia	Member	Executive Director
Mr. Sudhir Jumani	Member	Independent Director

Our Company Secretary, Mr. Kaushik Kapadia, will act as the secretary of the Committee.

The terms of reference of the Shareholders' / Investors' Grievances Committee is as follows:

- Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;
- Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- Issue of duplicate / split / consolidated share certificates;
- Review of cases for refusal of transfer / transmission of shares and debentures;
- Reference to statutory and regulatory authorities regarding investor grievances;
- And to otherwise ensure proper and timely attendance and redressal of investor queries and grievances.

#### Particulars of Shareholders'/Investors' Grievances Committee's meetings:

Date of the meetings	No. of meetings held	Members Present	Matters discussed	Decision taken
September 01, 2009	First	1. Pradip Kumar Karia (Chairman)  2. Mr. Jivan Singh Negi (Member)  3. Mr. Kaushik Kapadia (Company Secretary)	Discussion in relation to the transfer of 1,50,000 shares	The share transfer application was approved.

The next meeting of the aforesaid committee, shall be convened as and when the business is required to be carried out by the committee. Neither notices have been issued as on the date of filing of the Red Herring Prospectus, for the next meeting of the aforesaid committee nor the next date for the meeting of the aforesaid committee has been decided.

#### Remuneration Committee

The Remuneration Committee has been formed by the Board of Directors at the meeting held on June 18, 2008. Further *vide* Board Resolution dated February 09, 2010 the Remuneration Committee of our Company was reconstituted. The Remuneration Committee has been constituted with the following Directors:

Name	Designation	Nature of Directorship
Mr. Jivan Singh Negi	Chairman	Independent Director
Mr. Gurbur Ramdas Kamath	Member	Independent Director
Mr. Sudhir Jumani	Member	Independent Director

Our Company Secretary, Mr. Kaushik Kapadia, will act as the secretary of the said Committee.

The terms of reference of the Remuneration Committee are as follows:

- To decide and approve the terms and conditions for appointment of executive directors and/ or whole time directors and remuneration payable to other directors and matters related thereto.



- To recommend to the Board, the remuneration packages of the Company's Managing/Joint Managing/ Deputy Managing/Whole time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
- To be authorised at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Company's Managing/Joint Managing/ Deputy Managing/ Whole-time/ Executive Directors, including pension rights and any compensation payment;

#### Particulars of Remuneration Committee's meetings:

Date of Meetings	No. of Meetings Held	Members Present	Matters discussed	Decision taken
June 18, 2008	First	1. Mr. Jivan Singh Negi (Chairman) 2. Mr. Om Prakash Pahuja (Member) 3. Mr. Ramdas Gurpur Kamath (Member) 4. Mr. Sanjiv Adhvaryu (Company Secretary)	Reviewing the enhancement of the remuneration payable to Mr. Pradip Karia, Chairman cum Managing Director , Mr. Chetan Karia , Whole Time Director and Mr. Vishal Karia , Whole Time Director.	The Board of Directors of our Company was recommended the enhancement in the remuneration payable to Mr. Pradip Karia , Chairman cum Managing Director, Mr. Chetan Karia , Whole Time Director and Mr. Vishal Karia , Whole Time Director.

The next meeting of the aforesaid committee, shall be convened as and when the business is required to be carried out by the committee. Neither notices have been issued as on the date of filing of the Red Herring Prospectus, for the next meeting of the aforesaid committee nor the next date for the meeting of the aforesaid committee has been decided.

#### KEY MANAGERIAL PERSONNEL

The key managerial personnel of our Company other than our Executive Directors are as follows:

Sr. No.	Name	Designation
1.	Mr. Amit Thakkar	President
2.	Mr. Kamal Garg	Vice- President (Marketing)
3.	Mr. Anil Agarwal	Vice-President(Production)
4.	Mr. Anand Shilpkar	Vice-President (Technical)
5.	Mr. Alakh Niranjana Saboo	Vice-President (Administration)
6.	Mr. Kaushik Kapadia	Company Secretary and Compliance Officer

#### Note:

- All the key managerial personnel mentioned above are on the payrolls of our Company as permanent employees.
- There is no understanding with major shareholders, customers, suppliers or others pursuant to which any of the above mentioned personnel have been recruited.

The details of our key managerial personnel are set out below:

#### 1. AMIT THAKKAR

Mr. Amit Thakkar, age 37 years, is the President in our Company. He holds a Bachelors degree in Commerce from Gujarat University. He has seventeen (17) years of work experience. He started his career with our group in the year 1992 and has been an employee of our Company since 2007, pursuant to the Scheme of Demerger, wherein the employees of the textile division of





erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) were transferred to our Company. He has served as an employee for a period of over 15 years in our group entities including M/s. Pradip Exports and erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited). In our Company he is responsible for formulation of business strategy, negotiations with clients, deal structuring, dealing with all financial matters including bankers and fund raising, corporate affairs, risk management and overseas business development. The remuneration paid to him in the Financial Year 2008-2009 was Rs. 20,40,000.

## **2. KAMAL V. GARG**

Mr. Kamal Garg, age 57 years, is the Vice-President (Marketing) in our Company. He holds Diploma in Electrical Engineering from University of Maharashtra. He has thirty five (35) years of work experience. He has been associated with our Company since its incorporation for the marketing of our products and has been a permanent employee of our Company since July 2008. In our Company he is responsible for marketing functions, both domestic and international, which includes identification of clients and their requirements, negotiation of rates, finalising the marketing deals, follow up with the production team, arrangement of logistics for the execution of the orders, arrangement of outlets in the international textile trade fair and formulate product mix for our Company as per the requirements of the clients. In a career spanning over 35 years, he has served as an employee in M/s. Pradip Exports, Morarji Mills Limited, Niranjani Mills and Maheshwari Mills Limited. Further, he has also worked as buying agent for a Belgium importer and had a business of supplying fabrics to leading exporters. The remuneration paid to him in the Financial Year 2008-2009 was Rs. 8,00,000.

## **3. MR. ANIL AGARWAL**

Mr. Anil Agarwal, 42 years, is the Vice-President (Production) in our Company. He is an under graduate. He has 21 years of work experience. He joined our Company in the year 2007. He is the over all in-charge of the production in our Company and also handles the designs and quality control departments of our Company. Before he joined our Company he was working with M/s. Pradip Exports as a production manager. The remuneration paid to him in the Financial Year 2008-2009 was Rs. 7,20,000.

## **4. MR. ANAND SHILPKAR**

Mr. Anand Shilpkar, 55 years, is the Vice-President (Technical) in our Company. He holds a Bachelors degree in Science from Gujarat University. He has thirty four (34) years of work experience. He joined our Company in the year 2007. He is in-charge of the technical matters pertaining to the business of our Company. He is responsible for the maintenance of machineries as well as preparing the strategy for introduction of new machineries. In a career spanning over 34 years, he has served as an employee in Saraspur Mills Limited, Anil Synthetic Mills, Omkar Textile Mills, Jindal Textile Mills and Chiripal Textile Mills. The remuneration paid to him in the Financial Year 2008-2009 was Rs. 3,60,000.

## **5. MR. ALAKH NIRANJAN SABOO**

Mr. Alakh Niranjani Saboo, 52 years, is the Vice-president (Administration) in our Company. He holds a Bachelors degree in Commerce from Guahati University. He joined our Company in the year 2007. He is responsible for regulating the labour affairs and other general administration activities of our Company. In a career spreading over 21 years he has served as an employee in different capacities in Jinal Texfab Limited. The remuneration paid to him in the financial year 2008-2009 was Rs. 5,50,000.

## **6. MR. KAUSHIK KAPADIA**

Mr. Kaushik Kapadia, 56 years, is the Company Secretary and Compliance Officer in our Company. He holds a Masters degree in Commerce and Bachelors degree in Law from Gujarat University. He is fellow member of Institute of Company Secretary of India. He has thirty one years of work experience with twenty nine years in the area of secretarial and other legal work. He joined our Company in December 2008. He is instrumental in regulating the matters relating to secretarial and legal compliances of our Company. He has worked as a Company Secretary for various companies which include Nova PetroChemicals Limited and Mardia Chemicals Limited. The remuneration paid to him in the Financial Year 2008-2009 was Rs. 1,20,000.

### **Shareholding of Key Managerial Personnel**

The following is the shareholdings of our key managerial personnel as on date of the Red Herring Prospectus:

<b>Sr. No.</b>	<b>Name</b>	<b>Numbers of Shares Held</b>	<b>Percentage (%) Holding in our Company</b>
1.	Mr. Amit Thakkar	4,34,720	1.46
2.	Mr. Kamal V. Garg	Nil	N.A
3.	Mr. Anil Agarwal	3,34,690	1.12
4.	Mr Anand Shilpkar	Nil	N.A
5.	Mr. Alakh Niranjani Saboo	Nil	N.A



Sr. No.	Name	Numbers of Shares Held	Percentage (%) Holding in our Company
6.	Mr. Kaushik Kapadia	Nil	N.A

#### Relation of the Key Managerial Personnel with our Promoters/Directors

None of our key managerial personnel are “related” to the Promoters or Directors of our Company within the meaning of Section 6 of the Companies Act.

#### Bonus or profit sharing plan for Key Managerial Personnel

Our Company has no bonus or profit sharing plan for the Key Managerial personnel.

#### Change in our Key Managerial Personnel

Changes in the Key Managerial Personnel of our Company in the last three years are as follows:

Sr.No.	Name	Designation	Date of Appointment	Date of Resignation	Remark
1.	Mr. Amit Thakkar	President	Appointed <i>vide</i> Scheme of Demerger	N.A	Appointment
2.	Mr. Kamal V. Garg	Vice-President (Marketing)	July 01, 2008	N.A	Appointment
3.	Mr. Anil Agarwal	Vice-President (Production)	October 08, 2007	N.A	Appointment
4.	Mr Anand Shilpkar	Vice-President (Production)	March 07, 2007	N.A	Appointment
5.	Mr. Alok Niranjan Saboo	Vice-President (Administration)	February 07, 2007	N.A	Appointment
6.	Mr. Kaushik Kapadia	Company Secretary	December 06, 2008	N.A	Appointment

#### Employees

We believe that a motivated and empowered employee base is integral to our competitive advantage. Our Company has 829 employees and contract labourers as on December 31, 2009, the details of which are enumerated below:

Particulars	Permanent	Contract	Total
Registered Office	8	0	8
Industrial Unit I-Division-I	62	318	380
Industrial Unit I-Division-II	39	402	441
<b>Total</b>	<b>109</b>	<b>720</b>	<b>829</b>

#### Employees Stock Option Scheme

Our Company does not have any Employee Stock Option Scheme or other similar scheme giving options in our Equity Shares to our employees.

#### Payment or Benefit to Officers of our Company

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment or engagement, we have not paid any amount or given any benefit to any Officer of our Company in a period of two years before the date of the Red Herring Prospectus, nor is such amount or benefit intended to be paid or given to any officer as on the date of the Red Herring Prospectus.



## OUR PROMOTERS AND THEIR BACKGROUND

Our Company's current Promoters are Mr. Pradipkumar Karia, Mr. Chetan Karia and Mr. Vishal Karia. The brief profiles of our Promoters, who are also our Executive Directors, are as follows:



<b>Voter ID No.</b>	GJ/11/067/891368
<b>Driving License No.</b>	GJ01-040074-02
<b>Directors Identification Number</b>	00123748
<b>Passport Number</b>	E9613643
<b>Permanent Account Number</b>	AEMPK2509J

**Mr. Pradipkumar Karia**, aged 48 years, is the Promoter and Chairman-cum-Managing Director of our Company. He holds a Bachelors degree in Commerce from Gujarat University. He along with Mr. Chetan Karia and Mr. Vishal Karia were partners in M/s Vishal Textile, which has subsequently got converted into our Company - Chetan Textiles Private Limited in the year 2005. He commenced his career in textile business in 1985. He established a partnership firm M/s. Anu Impex in the year 1993 to carry out the business of supply of Home Linen Products to merchant exporters. Further another partnership firm under the name and style of M/s. Pradip Exports was established by Mr. Pradipkumar Karia and Mr. Chetan Karia in the year 1995 to carry on similar business. After gaining experience in marketing, he then shifted to processing and manufacturing of Home Linen Products by setting up of factory at Village Changodar, Ahmedabad, Gujarat in erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited). He was appointed as the Chairman of our Company on June 29, 2005 and Managing Director of our Company on September 19, 2007. He has more than 23 years experience in retailing, marketing, business promotion and manufacturing of textile products, of which 15 years is in the Home Linen Products. In the year 2008 he was presented with the Indira Gandhi Sadbhavna Award for outstanding individual achievements and distinguished services to the Nation by Governor of Bihar. His vision, leadership and directions has been instrumental in our Company's growth. He is also involved in the business of trading of agro-products and real estate. He plays a major role in financial decisions and negotiations with suppliers, marketing and business promotion. All the export orders are financially managed under his guidance.



<b>Voter ID No.</b>	CLJ7479074
<b>Driving License No.</b>	GJ01/810066/00
<b>Directors Identification Number</b>	00191790
<b>Passport Number</b>	F1689725
<b>Permanent Account Number</b>	AEMPK2511C

**Mr. Chetan Karia**, aged 46 years, is a Promoter and Wholetime Director of our Company. He along with Mr. Pradipkumar Karia and Mr. Vishal Karia were partners in M/s Vishal Textile, which has subsequently got converted into our Company - Chetan Textiles Private Limited in the year 2005. He holds a Bachelors degree in Commerce from Gujarat University. He commenced his career by joining his brother Mr. Pradipkumar Karia. In 1993 they set up a partnership firm M/s. Anu Impex to carry out the business of supply of Home Linen Products to merchant exporters. After gaining experience in marketing, he then shifted to processing and manufacturing of Home Linen Products. In FY 2004 along with Mr. Pradipkumar Karia he acquired a defunct textile manufacturing Unit at Changodar, Ahmedabad by erstwhile Pradip Overseas Limited (now Pradip Enterprises Limited) by setting



up and operationalization of that unit to manufacture Narrow Width Home Linen Products from a bank through an auction process, whose installed capacity was 22 million metres per annum of narrow width Home Linen Products. He has more than 18 years experience He was appointed as the Wholetime Director of our Company on September 19, 2007. He is also involved in the business of trading of agro-products. He plays a major role in production activities, group management and general administration. He is in-charge for compliances pertaining to the export and domestic orders.



<b>Voter ID No.</b>	CLJ5544416
<b>Driving License No.</b>	98/94292
<b>Directors Identification Number</b>	00514884
<b>Passport Number</b>	G0740038
<b>Permanent Account Number</b>	AHDPK6483F

**Mr. Vishal Karia**, aged 28 years, is Wholetime Director of our Company. He holds a Bachelors degree in Business Administration from Gujarat University and he has also completed his Post Graduate Diploma in Business Administration from the ICFAI Business School. He started his career in 2003 by joining Mr. Pradipkumar Karia and Mr. Chetan Karia in the manufacturing business. He has 5 years of experience in Home Linen Products manufacturing business, purchases and logistics. He plays a major role in production, purchase, logistics and other technical segments in our Company.

**We confirm that the Permanent Account Number, bank account number and passport number of our Promoters has been submitted to BSE and NSE at the time of filing the Draft Red Herring Prospectus with them.**

#### **Relationship of Promoters with each other and with our Directors**

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Relationship</b>
1.	Mr. Pradipkumar Karia	Managing Director	Brother of our Promoter and Wholetime Director Mr. Chetan Karia and uncle of our Promoter and Wholetime Director Mr. Vishal Karia
2.	Mr. Chetan Karia	Wholetime Director	Brother of our Promoter and Chairman-cum-Managing Director Mr. Pradipkumar Karia and uncle of our Promoter and Wholetime Director Mr. Vishal Karia
3.	Mr. Vishal Karia	Wholetime Director	Nephew of our Promoter and Chairman-cum-Managing Director Mr. Pradipkumar Karia and Promoter and Wholetime Director Mr. Chetan Karia

#### **Common Pursuits**

Our Promoters have promoted/ managed entities in the textile/ Home Linen Products business in the past which include M/s. Anu Impex, M/s. Pradip Exports and Pradip Enterprises Limited. None of these entities carry on any business in the textile/ Home Linen Products as on date. We do not have a non-compete agreement or understanding with any of these entities. All the aforesaid entities are authorised to carry on business in the textile/ Home Linen Products by their respective constitutional documents and this may lead to conflict of interests situation in the future.

#### **Interest of Promoters**

The Registered Office of our Company is taken on leave and license from M/s. Pradip Exports (one of the partnership firm promoted by our Promoters). For details of consideration payable and other details regarding the agreement, please refer chapter titled “*Business Overview*” beginning on page 92 of the Red Herring Prospectus.

Save and except as stated otherwise in the chapters titled “*Business Overview*” and “*Our Management*” beginning on pages 92 and 132 respectively, and section titled “*Financial Statements*” beginning on page 150 of the Red Herring Prospectus, and to the extent



of Equity Shares held by them, our Promoters do not have any other interests in our Company as on the date of the Red Herring Prospectus.

Further, except as stated in this section and in the chapters titled “*Business Overview*” and “*Our Management*” beginning on pages 92 and 132 respectively, and section titled “*Financial Statements*” beginning on page 150 of the Red Herring Prospectus, our Promoters do not have any interest in:

- (i) the promotion of our Company; or
- (ii) any property acquired by our Company within two years of the date of the Red Herring Prospectus or currently proposed to be acquired by our Company.

**Payment or Benefit to our Promoters**

No payment has been made or benefit given to our Promoters in the two years preceding the date of the Red Herring Prospectus or is intended to be given by us except as mentioned/referred to in this chapter and in the chapters titled “*Business Overview*” and “*Our Management*” beginning on pages 92 and 132 respectively, and section titled “*Financial Statements*” beginning on page 150 of the Red Herring Prospectus

**Related Party Transactions**

For details of our Related Party Transactions, please refer Annexure X titled “*Related Party Disclosure*” in the in the chapter titled “*Auditors’ Report and Financial Information of our Company*” beginning on page 150 of the Red Herring Prospectus.



## **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. Our Company has no stated dividend policy.

Our Company has not declared any dividend since incorporation.



## SECTION – VI

### FINANCIAL STATEMENTS

#### AUDITORS' REPORT AND FINANCIAL INFORMATION OF OUR COMPANY

##### AUDITOR'S REPORT

The Board of Directors  
Pradip Overseas Limited  
601, Narnarayan Complex,  
Navrangpura, Ahmedabad.

##### **Sub: Your Proposed Initial Public Offer**

Dear Sirs,

We have examined the financial information of Pradip Overseas Limited annexed to this report which has been prepared in accordance with the requirements of:

- i. Paragraph B (1) of part II of Schedule II of the Companies Act, 1956 (the Act) and the Amendments thereof.
- ii. the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements Regulations, 2009) ("the ICDR Regulations") issued by the Securities and Exchange Board of India (SEBI) and the amendments made there to from time to time in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992 ; and
- iii. the instruction received from the company requesting us to examine the financial information referred to above and proposed to be included in the Red Herring Prospectus of the company in connection with its proposed Initial Public offer of Equity Shares

##### Financial Information of the Company

1) We have examined the attached Restated Statements of Assets & Liabilities of the Company as at 31<sup>st</sup> December, 2009, 31<sup>st</sup> March, 2009, 2008, 2007 and 2006 (**Annexure I**) and accompanying statements of Restated Statement of Profit & Loss of the Company for the period ended on 31<sup>st</sup> December, 2009 and financial year ended on 31<sup>st</sup> March 2009, 2008, 2007, and 2006 (**Annexure II**) as prepared by the company and approved by the Board of Directors. These statements reflect the Assets and Liabilities and Profit & Loss for each of the relevant period / years as extracted from the Balance Sheet and Profit and Loss Account of period / years audited by us. The Statement of Cash Flow for the period ended 31<sup>st</sup> December, 2009 and financial year ended 31<sup>st</sup> March 2009, 2008, 2007, 2006 is appearing in **Annexure III**. These statements have been made after making such adjustments, regrouping as in our opinion are appropriate and more fully described in the Notes appearing in **Annexure IV** to this report .

2) Based on our examination of the above financial statement, we confirm that the relevant extracts of Balance Sheet and Profit & Loss Account as enclosed in **Annexure I & II** and this report has been made after giving effect to the following :-

- The impact of extra ordinary items has been disclosed separately in the financial statements.
- There are no qualifications in the auditor's report, which require any adjustments in the statements.
- The impact arising on account of changes in significant accounting policies , if any, (as disclosed in **Annexure IV** to this report ) adopted by the company has been adjusted with retrospective effect in the attached statements.

3) We confirm that the company has not declared any interim or final dividend on equity shares in respect of for the period ended 31<sup>st</sup> December, 2009 and financial years ended March 31, 2009, 2008, 2007, and 2006.

4) The significant Accounting Policies and Notes to Accounts are enclosed in **Annexure V** to this report.

5) Other Financial Information



- Accounting ratios relating to Earnings per Share, Net Asset Value per Share and Return on Net Worth is given in **Annexure VI**.
- Statement of other Income is given as **Annexure VII**.
- The Capitalization statement of the company as at 31<sup>st</sup> December, 2009 is given as **Annexure VIII**.
- The taxation statement for the preceding financial years of the company is given as **Annexure IX**.
- The transactions with companies in the promoter group and details and transaction with Group Company / promoters including Outstanding Loans taken by the company are given in **Annexure X**.
- Details of Unsecured Loan are given in **Annexure XI**.
- Details of Secured Loan taken from Bank are given in **Annexure XII**
- Details of Sundry Debtors are given in **Annexure XIII**
- Details of Loans and Advances are given in **Annexure XIV**
- Details of Reserves and Surplus are given in **Annexure XV**

In our opinion the above financial information of the company, read with Significant Accounting Policies and notes on accounts given in **Annexure IV** to this report, after making adjustments and reporting as considered appropriate, has been prepared in accordance with Part II of the Schedule II of the Act and the SEBI ICDR Regulations.

This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred therein.

This report is intended solely for your information and for inclusion in Red Herring Prospectus in connection with the Proposed Issue of Equity Shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours Faithfully  
For Ashok Dhariwal & Co  
Firm Registration No. :- 100648 W  
Chartered Accountants

(CA Ashok Dhariwal)  
Proprietor  
M.No. : 36452

Place: Ahmedabad  
Date: 15<sup>th</sup> February, 2010.





## ANNEXURE - I

### STATEMENT OF RESTATED ASSETS AND LIABILITIES

The assets and liabilities of the company for the period ended 31<sup>st</sup> December, 2009 and financial years ended on 31st March 2009, 2008, 2007, and 2006 are set out below. This statement of assets and liabilities, read with significant accounting policies and notes annexed hereto have been arrived at after making such regrouping as are, in our opinion, appropriate.

Particulars	(Rs. in lacs)				
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>Assets</b>					
<b>Fixed Assets</b>					
Gross Block	10,030.89	7,680.95	7,005.86	6,214.72	3,453.55
Less : Depreciation & Amortisation	2,258.14	1,754.08	1,214.75	732.77	17.52
Net Block	7,772.75	5,926.87	5,791.11	5,481.95	3,436.03
Capital Work In Progress	91.58	91.58	95.82	134.52	571.92
Less : Revaluation Reserve			-	-	-
Net Block (After adjustment for Revaluation Reserve)-(A)	7,864.33	6,018.45	5,886.93	5,616.47	4,007.95
<b>Investments - (B)</b>			-	-	-
<b>Current assets, Loans and Advances</b>					
i) Current Assets:					
Inventories	44,404.82	29,660.90	17,568.85	13,461.99	555.90
DEPB License Stock	27.64	47.00	-	10.08	-
Receivables	36,964.73	21,480.77	14,555.29	4,659.50	46.29
Cash and Bank Balances	8,044.71	7,579.00	2,291.69	2,076.58	83.97
ii) Loans and advances	4,380.86	3,536.19	713.52	615.51	303.89
Total - (C)	93,822.76	62,303.86	35,129.35	20,823.66	990.05
Deferred Tax Assets - (D)	-	-	-	-	91.79
<b>Total Assets (E) = (A)+(B)+(C) + (D)</b>	<b>101,687.09</b>	<b>68,322.31</b>	<b>41,016.28</b>	<b>26,440.13</b>	<b>5,089.79</b>
<b>Liabilities &amp; Provisions</b>					
Secured Loans	37,850.06	28,579.33	16,163.83	10,079.70	2,712.73
Unsecured Loans	5,828.26	4,205.56	2,206.94	2,264.52	96.90
Deferred Tax Liability	586.34	455.98	368.63	287.82	-
<b>Current Liabilities &amp; Provisions</b>					
Sundry Creditors	37,728.77	20,212.35	11,915.54	8,210.87	1,244.69
Provisions	1,921.43	2,208.23	1,848.94	900.06	-
<b>Total Liabilities (E)</b>	<b>83,914.86</b>	<b>55,661.45</b>	<b>32,503.88</b>	<b>21,742.97</b>	<b>4,054.32</b>
<b>Net worth (E) - (F)</b>	<b>17,772.23</b>	<b>12,660.86</b>	<b>8,512.40</b>	<b>4,697.16</b>	<b>1,035.47</b>
<b>Represented By:</b>					
<b>Shareholders Funds</b>					
i) Share Capital	2,976.68	2,976.68	1,488.34	281.50	249.25
ii) De merger Adjustment Account	-	-	-	1,206.84	-
iii) Reserves & Surplus	14,800.98	9,691.42	7,033.71	3,208.82	786.22
Less: Revaluation Reserves	-	-	-	-	-
iv) Reserves (Net of Revaluation Reserves)	14,800.98	9,691.42	7,033.71	3,208.82	786.22
v) Miscellaneous Expenditure (To the extend not written off)	5.43	7.24	9.65	-	-
vi) Dr. Balance of P & L A/c.	-	-	-	-	-
<b>Net Worth ((i) + (ii) + (iv) - (v))</b>	<b>17,772.23</b>	<b>12,660.86</b>	<b>8,512.40</b>	<b>4,697.16</b>	<b>1,035.47</b>



## ANNEXURE - II

### RESTATED STATEMENT OF PROFIT AND LOSS

The Profit & Loss of the company for the period ended 31<sup>st</sup> December, 2009 and financial years ended on 31st March 2009, 2008, 2007 and 2006 are set out below. The statement of Profit & Loss Account, as restated read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working & management including depreciation and after making such adjustments and regrouping as are, in our opinion, appropriate.

(Rs. in lacs)

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>INCOME</b>					
<b>Sales</b>					
a. Of products manufactured by the Company					
Domestic Sales	47,128.47	38,951.27	31,603.78	15,611.81	196.89
Indirect Exports	51,562.39	51,515.48	30,864.34	19,881.81	-
Direct Exports	2,951.86	4,082.88	3,334.18	3,776.15	-
b. Of products traded in by the Company	20,039.78	22,508.48	-	-	-
	<b>121,682.50</b>	<b>117,058.11</b>	<b>65,802.30</b>	<b>39,269.77</b>	<b>196.89</b>
Other Income	256.88	530.03	579.35	284.71	2.41
Increase (Decrease) In Inventory	5,045.07	3,421.50	2,931.32	1,866.97	24.15
<b>Total Income</b>	<b>126,984.45</b>	<b>121,009.64</b>	<b>69,312.97</b>	<b>41,421.45</b>	<b>223.45</b>
<b>EXPENDITURE</b>					
Raw Material Consumed	87,236.39	78,227.48	53,914.10	32,183.96	166.34
Cost of Goods Traded	19,877.94	22,250.57	-	-	-
Staff Costs	428.89	543.64	371.22	269.67	3.52
Other Manufacturing Expenses	6,141.15	7,245.34	5,539.50	3,427.40	42.33
Administrative Expenses	352.33	343.60	297.34	289.29	3.70
Selling & Distribution Expenses	322.00	528.81	402.14	389.91	0.02
<b>Total Expenditure</b>	<b>114,358.70</b>	<b>109,139.44</b>	<b>60,524.30</b>	<b>36,560.23</b>	<b>215.91</b>
<b>Profit Before Interest, Depreciation Income Tax, Amortisation &amp; Extraordinary Items (A-B)</b>	<b>12,625.75</b>	<b>11,870.20</b>	<b>8,788.67</b>	<b>4,861.22</b>	<b>7.54</b>
Interest	4,492.46	4,559.88	2,209.03	970.31	37.56
Depreciation & Amortisation	504.05	539.34	486.53	429.83	17.52
Miscellaneous Expenditure Written Off	1.81	15.91	14.37	6.88	2.78
<b>Net Profit Before Tax And Extraordinary Items</b>	<b>7,627.43</b>	<b>6,755.07</b>	<b>6,078.74</b>	<b>3,454.20</b>	<b>(50.32)</b>
Provision For Taxation:					
Current Tax	2,387.50	2,513.64	2,165.72	951.73	-
Deferred Tax	130.37	87.35	80.81	322.57	(91.79)
Fringe Benefit Tax	-	8.03	7.32	4.81	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>5,109.56</b>	<b>4,146.05</b>	<b>3,824.89</b>	<b>2,175.09</b>	<b>41.47</b>
Extraordinary Items (Net Of Tax)			-	-	-
Net Profit After Extraordinary Items & Prior Period Expenses	5,109.56	4,146.05	3,824.89	2,175.09	41.47
<b>Adjusted Profit</b>	<b>5,109.56</b>	<b>4,146.05</b>	<b>3,824.89</b>	<b>2,175.09</b>	<b>41.47</b>
Add: Balance Brought Forward	9,540.66	6,041.45	2,216.56	41.47	-



Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Less: Amount apportioned for issue of bonus shares	-	646.84	-	-	-
<b>Balance Carried To Balance Sheet</b>	<b>14,650.22</b>	<b>9,540.66</b>	<b>6,041.45</b>	<b>2,216.56</b>	<b>41.47</b>

### ANNEXURE III

#### STATEMENT OF CASH FLOWS

Particulars	<i>(Rs. in lacs)</i>				
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>A. Cash Flow From Operation Activities</b>					
Net profit after tax and extraordinary items	5,109.56	4,146.05	3,824.89	2,175.09	41.47
Adjustments for :					
Deferred tax	130.37	87.35	80.81	322.57	(91.79)
Depreciation	504.05	539.34	486.53	429.83	17.52
Financial Charges	4,492.46	4,559.88	2,209.03	970.31	37.56
Lease Rent	-	-	0.01	-	-
Amortisation & Miscellaneous Expenses	1.81	15.91	14.37	6.88	2.78
Interest on Fixed Deposits	(104.66)	(195.08)	(95.98)	(36.20)	(2.30)
Loss on sale of Fixed Assets	-	-	5.96	-	-
<b>Operation Profit Before Working Capital Changes</b>	<b>10,133.59</b>	<b>9,153.45</b>	<b>6,525.62</b>	<b>3,868.48</b>	<b>5.24</b>
Adjustments for :					
Inventories	(14,724.56)	(12,139.06)	(4,096.76)	(6,730.36)	(555.90)
Trade, Other receivables	(15,483.96)	(6,925.48)	(9,895.79)	(4,294.53)	(46.29)
Trades Payables & Provisions	17,229.62	8,656.10	4,653.45	5,095.51	1,244.69
Loan and Advances	(844.67)	(2,822.67)	(98.01)	(171.37)	(303.89)
<b>Cash Generated From Operations (A)</b>	<b>(3,689.98)</b>	<b>(4,077.66)</b>	<b>(2,911.39)</b>	<b>(2,232.27)</b>	<b>343.85</b>
<b>B. Cash Flow From Investing Activities</b>					
Preliminary Expenditure	-	(13.50)	(24.03)	(3.37)	(2.78)
Purchase of Fixed Assets	(2,349.94)	(670.85)	(766.18)	(847.23)	(4,025.47)
Sale of Fixed Assets	-	-	3.23	-	-
Interest on Fixed Deposits	104.66	195.08	95.98	36.20	2.30
<b>Net Cash used in Investing Activities (B)</b>	<b>(2,245.28)</b>	<b>(489.27)</b>	<b>(691.01)</b>	<b>(814.40)</b>	<b>(4,025.95)</b>
<b>C. Cash Flow From Financing Activities</b>					



Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Net Proceeds from Borrowings	10,893.43	14,414.12	6,026.55	5,592.07	2,809.63
Financing Charges	(4,492.46)	(4,559.88)	(2,209.03)	(970.31)	(37.56)
Issue of Equity Shares with premium	-	-	-	129.00	994.00
<b>Net Cash Used From Financing Activities ( C )</b>	<b>6,400.97</b>	<b>9,854.24</b>	<b>3,817.52</b>	<b>4,750.76</b>	<b>3,766.07</b>
Net increase in cash and Cash equivalents ( A + B + C )	<b>465.71</b>	<b>5,287.31</b>	<b>215.12</b>	<b>1,704.09</b>	<b>83.97</b>
Cash and Cash equivalents ( Opening )	<b>7,579.00</b>	<b>2,291.69</b>	<b>2,076.58</b>	<b>372.49</b>	-
Cash and Cash equivalents ( Closing )	<b>8,044.71</b>	<b>7,579.00</b>	<b>2,291.69</b>	<b>2,076.58</b>	<b>83.97</b>

( \* ) The Textile Division of Pradip Enterprises Ltd (Erstwhile Pradip Overseas Ltd.) got merged with our company as per the order of Hon. Gujarat High Court with effect from 1<sup>st</sup> April, 2006. Accordingly, the Cash and cash equivalents of Rs. 288.53 was transferred from the Textile Division of Pradip Enterprises Ltd (Erstwhile Pradip Overseas Ltd.) to our company. Hence, the opening balance of cash and cash equivalents in FY 2006-07 is shown at Rs. 372.49 lacs (i.e. 83.97 lacs closing balance of FY 2005-06 and Rs. 288.53 lacs received from the Textile Division of Pradip Enterprises Ltd (Erstwhile Pradip Overseas Ltd.)

#### **NOTE ON DIFFERENCES IN NUMBERS AS STATED IN THE DRAFT RED HERRING PROSPECTUS (DRHP) AND RED HERRING PROSPECTUS (RHP):**

1. The Draft Red Herring Prospectus of the Company was filed with SEBI on December 31, 2008 wherein the statement of Restated Assets and Liabilities, Statement of Profit and Loss and Cash Flow Statement presented the financial information of the Company for the year ended on 31<sup>st</sup> March, 2006, 2007 and 2008 and for period ended 30<sup>th</sup> June, 2008.
2. Now, in addition to the financial information for the years ended on 31<sup>st</sup> March, 2006, 2007 and 2008, the Company is also providing the financial information for the year ended on 31<sup>st</sup> March, 2009 and also for the period of 9 months from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> December, 2009.
3. In the Audited financial statements for the year ended 31<sup>st</sup> March, 2009, following items have been adjusted while preparing Restated Statements of Assets and Liabilities, Statement of Profit and Loss and Statement of Cash Flows due to recognition of TUF subsidy in FY 2008-2009 and regrouping of interest accrued but not due on deposits (refer note 1), payment of wealth tax in FY 2009-2010 (refer note 2) and payment of Income Tax and Wealth tax in FY 2009-2010 (refer note 3).

#### **Note 1**

An amount of Rs.222.41 lacs of TUF subsidy had been recognized during the year 2008-09 as per Accounting Standard 12 “Accounting for Government Grants” issued by the Institute of Chartered Accountants of India. This said amount was pertaining to the plant and machinery purchased during FY 2005-2006. Hence, the gross block of fixed assets has been reduced by this amount of subsidy in the audited balance sheet for the year ended 31<sup>st</sup> March, 2009. However, the effect of reduction in gross block is required to be taken in the year 2005-2006 while preparing the restated statements of Assets and Liabilities.

Further, in the audited balance Sheet as on 31<sup>st</sup> March, 2009, the Interest accrued but not due on bank deposits have been regrouped under the head Cash and Bank balance which was earlier grouped under the head loans and advances recoverable in cash on in kind up to FY 2007-2008. While preparing the restated statements of Assets and Liabilities the same has been regrouped under the head Cash and Bank Balance for all years. Due to this regrouping, the loans and advances have now been reduced by Rs. 0.74 lacs, Rs. 20.71 lacs, and Rs. 69.28 lacs in FY 2006-2007, 2007-2008 and FY 2008-2009 respectively.



Due to this treatment, the following changes have been made in Restated Assets and Liabilities, Restated Statement of Profit and Loss and Restated Statement of Cash Flows:

- a) For the year ended March 31, 2006, the Gross Block of Fixed Assets, has been reduced by an amount pertaining to the TUF Subsidy of Rs. 222.41 lacs and has been shown at Rs. 3,453.55 lacs in place of Rs. 3,675.96 as stated in DRHP. The loans and advances is increased by Rs. 221.67 lacs (Rs. 221.41 lacs being TUF subsidy less 0.74 lacs being interest accrued but not due), by Rs. 201.70 lacs (Rs. 221.41 lacs being TUF subsidy less 20.71 lacs being interest accrued but not due), and by Rs. 153.13 lacs (Rs. 221.41 lacs being TUF subsidy less 69.28 lacs being interest accrued but not due), in FY 2006-07, FY 2007-08 and in FY 2008-09 respectively. Loans and advances have been shown at Rs. 303.89 lacs, 615.51 lacs and Rs. 713.52 lacs in FY 2006-07, FY 2007-08 and in FY 2008-09 in place of Rs. 82.22 lacs, 413.81 lacs and Rs. 560.39 lacs as stated in the DRHP. Also, due to the above regrouping, the cash and bank balances have been increased by Rs. 0.74 lacs, Rs. 20.71 lacs, and Rs. 69.28 lacs in FY 2006-2007, 2007-2008 and FY 2008-2009 respectively. The effect of the same has also been reflected in the Statement of Cash flows.
- (b) On account of Reduction in the Gross Block of Fixed Assets, the Depreciation and Amortization have been reworked accordingly. There has been a reduction of Rs. 5.16 lacs, Rs. 25.26 lacs and Rs. 25.32 lacs in depreciation in FY 2005-2006, FY 2006-2007 and FY 2007-2008 respectively. Accumulated Depreciation and Amortization have also been reduced by the said amount in respective years. The effect of these adjustments has also been given in the Statement of Cash Flows.
- (c) Due to the adjustments made in the Gross Block of Fixed Assets and subsequent adjustment in the Net Block, the provision of deferred tax liability/assets has changed to Rs. (91.79) lacs, 322.57 lacs and Rs. 80.81 lacs in FY 2005-2006, FY 2006-2007 and in FY 2007-2008 respectively.

## **Note 2**

In FY 2009-2010, the Company has paid Rs. 0.04 lacs as wealth tax which was pertaining to FY 2006-2007. Hence, the current tax for FY 2006-2007 includes the said amount and has been shown at Rs. 951.73 lacs in place of Rs. 951.69 lacs as stated in the DRHP.

## **Note 3**

Further, the Company had paid Income Tax in FY 2008-2009 amounting to Rs. 88.55 lacs and Wealth Tax in FY 2009-2010 amounting to Rs. 0.09 lacs pertaining to FY 2007-2008. Hence, the Current Tax for FY 2007-2008 includes the above mentioned amounts and has been shown as Rs. 2165.72 lacs in place of Rs. 2077.08 as stated in the DRHP.

## **NOTE ON DIFFERENCE BETWEEN FIGURES IN STATEMENTS OF CASH FLOWS AND RESTATED ASSETS & LIABILITIES / PROFIT & LOSS FOR MARCH 2007**

Certain figures in the Statement of Cash flow for March, 2007 are not matching with corresponding figures of Restated Assets and Liabilities and Restated Profit/Loss. The only reason for this difference is that during the year, certain assets and liabilities of the Company on account of Scheme of Demerger, whereby the assets and liabilities of Textile Division of Pradip Enterprises Ltd. (erstwhile Pradip Overseas Limited) were demerged into with the Company. The effect of Scheme of Demerger was given from 1.4.2006 i.e. during the financial year 2006-07.

A Statement of Assets and Liabilities received by the Company on account of the Scheme of Demerger during financial year 2006-07 given below:-

					<i>(Rs. in lacs)</i>
<b>Sr. no.</b>	<b>Description</b>	<b>Amount</b>	<b>Amount Dr.</b>	<b>Amount</b>	<b>Amount Cr.</b>
1	Fixed Assets	1,476.54			



Sr. no.	Description	Amount	Amount Dr.	Amount	Amount Cr.
	Less: Depreciation	285.42			
	Net Fixed Assets transferred	1,191.12	1,191.12		
2	Inventories		6,185.80		
3	Trade, Other Receivables		318.68		
4	Loans and Advances		140.25		
5	Cash and Bank Balance		288.53		
6	Preliminary Expenditure		3.51		
7	Borrowings				
	Secured Loans			3,565.37	
	Unsecured Loans			377.15	
	<i>Total</i>			<i>3,942.52</i>	<i>3,942.52</i>
8	Trade Payable & Provisions				2,770.73
9	Deferred Tax Liability				57.04
	<b>Total</b>		<b>8,127.89</b>		<b>6,770.29</b>
	Net Assets Transferred (A)				1,357.60
	Consideration :				
	Share Capital Issued (B)				1,206.84
	De merger reserve in books of transferee (A-B)				150.75

The list of Assets so received comprises of fixed assets, inventories, receivables and other current assets aggregating Rs.8,127.89 Lacs. The Liabilities comprises of Secured Loans, Unsecured Loans, Trade Creditors aggregating Rs.6,770.29 Lacs.

It may be noted that the above mentioned assets aggregating Rs.8,127.87 Lacs and Liabilities aggregating Rs.6,770.29 lacs have been already shown and added in the figures of Restated Assets and Liabilities as on March 31, 2007.

The excess of the value of Assets over the value of Liabilities received in the Scheme of Demerger, of Rs.1,357.60 Lacs was adjusted in the following manner :

		<i>(Rs. in lacs)</i>
a)	Allotment of fresh equity capital	1,206.84
b)	Credit to Demerger Reserves Account	150.75

Thus, in the process of the acquisition, asset and liabilities in the course of demerger as well as in the process of allotment of fresh equity in consideration thereof, did not result into any cash inflow or outflow.

A table explaining Item wise difference between figures in Restated Cash flow and Figures in Restated Statement of Assets and Liabilities is given below.

Reconciliation of statement of restated cash flow and statement of restated assets and liabilities:

Particulars	<i>(Rs. in lacs)</i>				
	Amount as on 31-03-2007	Amount as on 31-03-2006	Increase / (decrease)	Increase due to de merger	Net increase / (decrease) shown in Cash flow)
	(A)	(B)	C=(A-B)	D	E=(C-D)
Inventory Incl. DEPB License Stock	13,472.07	555.90	(12,916.17)	6,185.80	(6,730.37)
Trade & other Receivables	4,659.50	46.29	(4,613.21)	318.68	(4,294.53)
Trade Payables & Provisions	9,110.93	1,244.69	7,866.24	(2,770.73)	5,095.51



Particulars	Amount as on 31-03-2007	Amount as on 31-03-2006	Increase / (decrease)	Increase due to de merger	Net increase / (decrease) shown in Cash flow)
Loans and Advances	615.51	303.89	(311.62)	140.25	(171.37)
Preliminary Expenditure	-	-	-	3.51	See Note 1*
Purchase of fixed assets (incl. capital work in progress)	6,349.24	4,025.47	(2,323.77)	1,476.54	(847.23)
Net proceeds from borrowings (Secured & unsecured)	12,344.22	2,809.63	9,534.59	(3,942.52)	5,592.07
Issue of Equity shares with premium					
Equity	281.50	249.25			
Share Premium	841.50	744.75			
De-merger Adj. A/c.	1,206.84	-			
<b>Total</b>	<b>2,329.84</b>	<b>994.00</b>	<b>1,335.84</b>	<b>(1,206.84)</b>	<b>129.00</b>

Note 1: During the year 2006-07, the Preliminary Expenses written off by the Company was Rs. 6.88 lacs which is comprised of

	(Rs. in lacs)
The amount of the Textile Division merged with the Company	3.51
Incurred by the Company	3.37
<b>TOTAL</b>	<b>6.88</b>

Out of the above, the Preliminary Expenses of Rs.3.37 lacs was incurred by the Company in cash and therefore only the said amount was shown in the Restated Cash Flow. The amount of Rs. 3.51 lacs relates to the Textile Division merged with the Company as stated hereinabove. The aggregate amount of the said expenses were written off by the Company.

#### Explanation as Regards Difference in Certain Figures in Statement of Restated Cashflow and Restated Profit/Loss:

An amount of Rs.36.20 Lacs is shown as interest on fixed deposits for the period ending on 31<sup>st</sup> March, 2007 in Restated Cash flow. These amounts are grouped under "Other Income" in Restated Profit/Loss. A break up of all the items under the head "Other Income" for the year ended on 31<sup>st</sup> March, 2007 is given below:-

Particulars	(Rs. in lacs) Amount
Export Incentives	217.18
Sale of DEPB License	31.13
Interest on Fixed Deposit	36.20
Miscellaneous Income	0.20
<b>Total</b>	<b>284.71</b>

Preliminary expenses written off is shown at Rs.3.37 Lacs in the Restated Cash flow for the year ended 31<sup>st</sup> March, 2007, whereas the same is mentioned as Rs.6.88 Lacs in the Restated Profit/Loss. The amount of Rs.6.88 Lacs mentioned in the Restated Profit/Loss for the year ended 31<sup>st</sup> March, 2007 includes an amount of Rs.3.51 Lacs being the preliminary expenses received in the form of Shrunk Assets (Misc. Expenses) along with other assets in the course of demerger. This being only a notional asset with no value, the Company had decided to write off the entire amount of Rs.3.51 Lacs in the same year i.e. 2006-07. Thus, this has no impact on the cash flow of the Company and, therefore, not included in the Restated Cash flow.

#### ANNEXURE IV

#### NOTES TO ADJUSTMENTS CARRIED OUT IN RESTATED FINANCIAL STATEMENTS



Prior period items have been adjusted to reflect the same in the accounting year to which it relates. Accordingly, the restated profit & loss account is adjusted with corresponding effect in the carrying amount of reserves and surplus and Net Current Assets as per the Adjustment given below.

*(Rs. in lacs)*

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Net Profit after Tax but before Extra Ordinary Items & Prior period Expenses	5,109.56	4,437.00	3,902.17	2,221.69	(34.48)
Adjustment in Preliminary Expenses	-	-	(7.40)	(4.71)	(2.22)
Adjustment in Gratuity	-	-	-	(2.00)	(1.29)
Adjustment in Tax	-	(226.83)	(88.64)	(58.92)	-
Adjustment in Depreciation Reversal due to Capital Subsidy	-	-	25.32	25.26	5.16
Adjustment in Excess Interest Provision	0.00	(2.61)	-	-	-
Adjustment in Deferred tax	-	(61.51)	(6.56)	(6.24)	74.30
Adjusted Profit	5,109.56	4,146.05	3,824.89	2,175.08	41.47

#### Changes in Accounting Policy:-

##### Financial year ended March 31, 2008

- Pursuant to the Accounting Standard 15 (revised) on Employee benefits issued by The Institute of Chartered Accountant of India, our company has started providing for Gratuity from the year 2007-08 based on actuarial valuation. Prior to this the same was provided based on management estimates.
- Accounting Policy relating to valuation of Raw Material was changed in the FY 2008 from cost or net realizable value whichever is lower to cost basis and Packing Material, Lignite and Stores and spares Parts from average cost to cost basis. However there is no impact on profit and loss on account of the same.

##### Financial year ended March 31, 2009

The Company has changed Accounting policy for writing off of Preliminary expenses incurred in connection with incorporation of the Company and Expenditure incurred for increase in Authorised Share Capital in view of Accounting Standard 26 ( Issued by ICAI ) and as per opinion of Management such expenditure are to be written off in the year they are incurred.

##### For the Period ended December 31, 2009

Accounting Policy relating to valuation of Raw Material was changed in the FY 2009 from cost basis to cost or net realizable value whichever is lower and Packing Material, Lignite and Stores and spares Parts from cost basis to cost or net realizable value whichever is lower. However there is no impact on profit and loss on account of the same.

#### ANNEXURE - V

##### SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation and presentation of the accounts are as below:

#### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

The accompanying Financial Statements are prepared under the historical cost convention, in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All Income and Expenditure having a material bearing on the Financial Statement are recognized on accrual basis.

#### 2. USE OF ESTIMATES





The preparation of Financial Statement in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported accounts of Assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

### **3. REVENUE RECOGNITION**

Sale of products/job work are recognized when they are invoiced to customers.

Export incentives under the Duty Drawback scheme are recognized on accrual basis in the year of Export.

Revenue in respect of other Income is recognized when no significant uncertainty as to its determination or realization exists.

### **4. FIXED ASSETS**

- (a) Fixed Assets are stated at cost of acquisition / Construction less accumulated depreciation. The cost of Fixed Assets includes interest on borrowings attributable to acquisition of Fixed Assets up to the date of commissioning the Assets and other incidental expenditure.
- (b) Addition in Fixed Assets is stated at cost net of CENVAT credit (wherever applicable).
- (c) Capital work in progress are carried at cost comprising direct cost, related incidental expenses, and attributable interest
- (d) Intangible Assets are recognized as per the principles laid down in Accounting Standard 26 of the Institute of Chartered Accountants of India.

### **5. DEPRECIATION AND AMORTISATION**

- i. Depreciation is provided on “Straight Line Value Method” as per section 205 (2) (b) of the Companies Act, 1956 at the rates prescribed in Schedule XIV thereto.
- ii. Depreciation on additions of Fixed Assets during the year is provided on pro-rata basis according to the period during which each Asset is put to use.
- iii. Intangible Assets are amortised over the period of their benefits as ascertained by the Management.

### **6. BORROWING COST**

Net cost of borrowed funds are capitalized and included in the cost of concerned fixed assets till its completion and other borrowing costs are recognized as an expense in the period in which they are incurred.

### **7. FOREIGN CURRENCY TRANSACTIONS**

#### **i. Initial Recognition**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

#### **ii. Conversion**

At the year-end, monetary items denominated in foreign currencies, other than those covered by forward contracts, are converted into rupee equivalents at the year end exchange rates.

#### **iii. Exchange Differences**



All exchange differences arising on settlement and conversion of foreign currency transaction are included in the Profit and Loss Account.

#### iv. **Forward Exchange Contracts**

In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of contract is recognised as income or expense over the life of the contract.

#### v. **Derivative Instruments**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The use of such foreign currency forward contracts is governed by the Company's policies approved by the management, which provide principles on use of such financial derivatives consistent with the Company's risk management strategy. The company does not use derivative financial instrument for speculative purposes.

### **8. INVENTORIES**

Raw Material, Packing Material, Chemicals, Lignite, Stores and Consumables are valued at Lower of cost and net realizable value.

Work in Process and Finished Goods are valued at Lower of cost and net realizable value.

Cost is ascertained on specific identification method and includes appropriate production overheads in case of Work in process and Finished Goods.

DEPB Licenses are stated at realizable value.

### **9. RETIREMENT BENEFITS**

#### **Gratuity**

Provision for Gratuity to Employees is made on estimated basis.

Provision for gratuity has not been funded.

#### **Provident Fund**

Contribution to Provident Fund is accounted on accrual basis with corresponding contribution to recognised Fund.

#### **Leave Encashment**

The Leave encashment payable to the Employees are accounted for on accrual basis.

### **10. EARNING PER SHARE**

The Company reports basic and diluted earning per share (EPS) on accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India. The Basic EPS has been computed by dividing the income available to Equity Shareholders by the Weighted Average number of Equity Shares outstanding during the accounting year. The diluted EPS has been computed using the weighted average number of Equity shares and dilutive potential Equity shares outstanding at the end of the year.

### **11. CASH FLOW STATEMENT**

The Cash Flow Statement is being prepared as per Accounting Standard – 3 prescribed by the Institute of Chartered Accountants of India.



## **12. MISCELLANEOUS EXPENDITURE NOT WRITTEN OFF**

Expenditure, the benefit of which are likely to accrue over more than one accounting period are treated as Miscellaneous Expenditure and amortised over such periods as referred to herein below.

Expenditure incurred on Demerger of Textile division of erstwhile Pradip Overseas Ltd. into the Company, are written off in equal installments, over a period of Five years.

## **13. PROVISION FOR BAD AND DOUBTFUL DEBTS**

Provision is made in accounts for Bad and Doubtful Debts/Advances which in the opinion of the Management are considered irrecoverable.

## **14. TAXES ON INCOME**

### **Deferred Taxation**

In accordance with the Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the Deferred Tax for timing difference between the book and tax profits for the year is accounted for by using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet Date.

Deferred tax assets arising from timing differences are recognized to the extent there is virtual certainty that the asset can be realized in future.

Net outstanding balance in Deferred tax account is recognized as Deferred Tax Liability / Asset. The Deferred Tax account is used solely for reversing timing difference as and when crystallized.

### **Current Taxation**

Provision for taxation has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

## **15. PROVISIONS AND CONTINGENT LIABILITIES**

Provisions are recognized when the company has legal and constructive obligation as a result of past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash outflow will not be required to settle the obligation.

## **16. IMPAIRMENT OF FIXED ASSETS**

The carrying amount of assets, other than inventories, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

The impairment loss is recognized whenever the carrying amount of an asset or its cash generation unit exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in the uses which is determined based on the estimated future cash flow discounted to their present values. All impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is recognized in the profit and loss account.



## 17. RELATED PARTY TRANSACTIONS

Disclosure of transaction with related parties, as required by Accounting Standard 18 – “Related Party Disclosures” has been set out in a separate note forming part of the schedule. Related party as defined under clause 3 of the Accounting Standard 18 have been identified on the basis of representation made by key managerial personnel and information available with the Company.

## 18. EXPORT INCENTIVES

Export benefits under various schemes announced by the Central Government under Exim Policy are accounted for on accrual basis to the extent considered receivable, depending on the certainty of receipt.

## NOTES PERTAINING TO AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED ON DECEMBER 31, 2009.

01. For the current year on review as required by the Accounting Standard 28 “Impairment of Fixed Asset”, the management is of the opinion that no impairment or reversal of loss is required.

### 02. Contingent Liabilities :

<i>(Rs. in lacs)</i>						
Sr. No.	Description of Contingent Liabilities	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
1	Bank Guarantees	17.41	42.41	82.81	40.39	-
2	Bill Discounting with Banks	Nil	Nil	3,877.22	519.19	-
3	Export Obligation under EPCG License	Nil	33.38	33.38	1,073.65	-
4	Letter of Credit outstanding	Nil	Nil	67.01	-	-
5	Export Obligation under Advance license	23.49	22.33	5.37	5.37	-

03. Provident Fund has been deducted and paid inclusive of Employees Provident Fund and Miscellaneous Provisions Act

04. Intangible Assets consisting of Computer Software written off over the period of Four years.

### 05. Deferred Tax :

Break – up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under.

<i>(Rs. in lacs)</i>			
Particulars	As on 31.03.2009	During the period	As on 31.12.09
<b>Deferred Tax Liabilities</b>			
Depreciation	472.42	128.57	600.99
<b>TOTAL (A)</b>	<b>472.42</b>	<b>128.57</b>	<b>600.99</b>
<b>Deferred Tax Assets</b>			
Disallowance u/s. 43-B	6.67	2.84	9.51
Preliminary Exp. U/s.35 D	6.97	(1.85)	5.12
Disallowance u/s. 40a(ai)	2.79	(2.79)	Nil
<b>TOTAL (B)</b>	<b>16.43</b>	<b>(1.80)</b>	<b>14.63</b>



Particulars	As on 31.03.2009	During the period	As on 31.12.09
<b>Net Deferred Tax Liabilities (A – B)</b>	<b>455.99</b>	<b>130.37</b>	<b>586.36</b>

The statement showing the break up of Deferred Tax calculations for the period reported in this report is given below:-

Particulars	<i>(Rs. in lacs)</i>				
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Opening balance as stated in the restated Assets & Liabilities	455.98	368.63	287.82	(91.79)	0
Add: Balance of DTL of Textiles division of Erstwhile Pradip Overseas Ltd. Merged with POL	0	0	0	57.04	0
Add : Provision of DTL for the Year	130.37	87.35	80.81	322.57	(91.79)
<b>Closing Balance</b>	<b>586.35</b>	<b>455.98</b>	<b>368.63</b>	<b>287.82</b>	<b>(91.79)</b>

**Note :** The difference arises in the Restated statement of Assets and Liabilities and restated Profit & Loss Account as result of the de merger of the Textile Unit of erstwhile Pradip Enterprise limited (erstwhile Pradip Overseas Limited) with Pradip Overseas Limited.

#### 06. Additional Information's:

Pursuant to provisions of paragraphs 3 and 4 in Part II of Schedule VI to the companies Act, 1956.

Particulars	December 31, 2009		March 31, 2009		March 31, 2008		March 31, 2007		March 31, 2006	
	Mtrs	Value	Mtrs	Value	Mtrs	Value	Mtrs	Value	Mtrs	Value
Installed Capacity (Mtrs)( Annualised)										
Total Processing Capacity										
Additional Bleaching Capacity	73,500,000		87,500,000		84,000,000		66,000,000		24,960,000	
	28,875,000		28,000,000		24,500,000		13,200,000			
Opening Stock (Mtrs)										
Raw Material										
Work in Process	24,417,218	18,049.12	13,102,068	9,350.17	11,931,008	8,005.63	9,378,864	3,390.73		
Finished Goods	7,892,917	5,586.15	5,423,666	4,070.32	2,856,451	2,205.77	4,730,500	1,675.72	NIL	NIL
	6,201,475	5,745.88	5,180,872	3,840.21	3,232,099	2,773.42	3,340,708	1,436.50		
Purchase (Mtrs)										
Raw Materials	98,705,302	96,833.85	113,877,059	86,926.42	83,191,832	55,258.64	55,485,606	36,798.86	352,618	691.82
Finished Goods	15,389,484	19,877.94	13,977,585	22,250.57	-	-	-	-	-	-
Sales (Mtrs)	101,843,452	118,631.34	109,980,167	1,13,539.33	74,981,267	62,741.05	51,719,828	36,900.19	83,430	183.35
Closing Stock (Mtrs)										
Raw Material	31,244,749	27,646.59	24,417,218	18,049.12	13,102,068	9,350.17	11,931,008	8,005.63	253,854	525.48
Work in Process	10,160,341	8,864.67	7,892,917	5,586.15	5,423,666	4,070.32	2,856,451	2,205.78	11,722	24.15
Finished Goods	6,627,646	7,512.43	6,201,475	5,745.88	5,180,872	3,840.21	3,232,099	2,773.42		
Consumption (Mtrs)	91,877,771	87,236.39	102,561,909	78,227.48	82,020,772	53,914.10	52,933,462	32,183.96	95,152	166.34
Production (Mtrs)	98,239,511*		113,102,276*		98,269,580*		68,363,377*		739,067*	

**Value of Stores & Spares Consumed:***(Rs. in lacs)*

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Imported	42.14	Nil	Nil	NIL	Nil
Indigenous	231.49	297.87	293.97	265.68	4.03

**C. Expenditure in Foreign Currencies on account of:***(Rs. in lacs)*

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Commission	72.62	115.83	72.80	-	-
Foreign Traveling	30.83	22.77	46.37	19.70	NIL

**D. C.I.F. Value of Import :***(Rs. in lacs)*

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Raw Material	44.74	Nil	0.34	NIL	NIL
Chemicals and other Spares	104.98	152.85	58.66	NIL	NIL
Capital Goods	60.45	55.10	9.06	83.33	596.06

**07. Segment Reporting**

Since the Company has only one Segment i.e. Textile Process Business, there is no separate reportable segment as required in AS 17 issued by the Institute of Chartered Accountants of India.

Secondary Segment (By Geographical Segment)

*(Rs. in lacs)*

Particulars	India	Outside India	Total
Sales and Services Income	118,730.64	2,951.86	121,682.50

**08. Managerial Remuneration**

The Company has been advised that the computation of Net Profit for the purpose of Directors' remuneration under Section 349 of the Companies Act, 1956 need not be enumerated since no commission has been paid to the Directors. Fixed monthly remuneration has been paid to the Directors as per Schedule XIII to the Companies Act, 1956.

*(Rs. in lacs)*

Description	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>Remuneration :</b>					
Pradip J. Karia	90.00	111.00	84.00	84.00	Nil
Chetan J. Karia	81.00	99.00	72.00	72.00	Nil
Vishal R. Karia	54.00	69.00	60.00	60.00	Nil

**09. Earnings Per Share:**



(Rs. in lacs)

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Net Profit for the year (Rs. In Lacs)	5,109.56	4,146.05	3,824.89	2,175.09	41.47
Weighted Average No. of Shares Outstanding During the year	29,766,770	29,766,770	29,766,770	29,390,520	464,444
Earning Per Share (Rs.) ( Not annualized for the Period)*	17.17*	13.93	12.85	7.40	8.93
Nominal Value of Share (Rs.)	10.00	10.00	10.00	10.00	10.00

#### 10. Payment to Auditors:

(Rs. in lacs)

Sr. No.	Description	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
1	As Auditors: ( Including Service Tax )	9.10	12.13	9.55	7.80	0.28
2	As Advisor or in any other capacity in respect of:					
	a) Company Law matter	-	-	-	-	-
	b) Taxation matter	4.14	5.51	4.49	3.00	-
	c) Others	-	-	0.29	0.35	-

#### 11. Hedging Contracts:

The Company uses forward exchange contracts to hedge its foreign exchange exposure in accordance with its forex policy. As on 31<sup>st</sup> December, 2009, the company had One and Two outstanding forward exchange contracts to purchase foreign currency aggregating to Euro 100,000 and USD 400,000 respectively.

#### 12. Accounting of Government Grant:

Government grants are recognized where it is reasonably certain that the ultimate collection will be made. During the period the Company has accounted for Revenue Grants by adding to the Income in case of Export Incentives and reducing the Bank interest on Term Loans (Financial Expenses) in case of interest subsidy of Rs. 59,27,248 (Previous year Rs. 95,79,368) under TUF Scheme.

13. The figure for the previous year have been regrouped and rearranged wherever necessary.

14. Figures for the period ended December, 2009 are not comparable with previous year figures.

#### Note on accounting treatment followed in respect of financial contained in the scheme of De-merger the textile division of Pradip Enterprise Limited (erstwhile Pradip Overseas Limited) into our company in FY 2006-07

The Textile Division of Pradip Enterprises Ltd (Erstwhile Pradip Overseas Ltd.) got merged with our company as per the order of Hon. Gujarat High Court with effect from 1<sup>st</sup> April, 2006. Accordingly the following assets and liabilities were transferred at their book value to our company under the "Purchase Method" as prescribed by Accounting Standard (AS – 14) issued by the Institute of Chartered Accountants of India.



(Rs. in lacs)

Sr. no.	Description	Amount	Amount Dr.	Amount	Amount Cr.
1	Fixed Assets	1,476.54			
	Less: Depreciation	285.42			
	Net Fixed Assets transferred	1,191.12	1,191.12		
2	Inventories		6,185.80		
3	Trade, Other Receivables		318.68		
4	Loans and Advances		140.25		
5	Cash and Bank Balance		288.53		
5	Preliminary Expenditure		3.51		
6	Borrowings				
	Secured Loans			3,565.37	
	Unsecured Loans			377.15	
	<i>Total</i>			3,942.52	3,942.52
7	Trade Payable & Provisions				2,770.73
8	Deferred Tax Liability				57.04
	<b>Total</b>		<b>8,127.89</b>		<b>6,770.29</b>
	Net Assets Transferred (A)				1,357.60
	Consideration :				
	Share Capital Issued (B)				1,206.84
	De merger reserve in books of transferee (A-B)				150.75

For the Net assets transferred, our company had issued 1,20,68,385 fully paid up equity shares of Rs. 10/- to the shareholders of Pradip Enterprise Limited (erstwhile Pradip Overseas Limited)

The resultant excess of Net Assets transferred over the share capital issued of Rs. 150.76 lacs (Rs. 1357.60 lacs – Rs. 1206.84 lacs ) had been credited to “De-Merger Reserve Account” in books of accounts of our company.

## ANNEXURE VI

### ACCOUNTING RATIOS

(Rs. in lacs)

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Profit After adjustment before Extra ordinary items (Rs. in Lacs)	5,109.56	4,146.05	3,824.89	2,175.09	41.47
Profit After adjustment after Extra ordinary items (Rs. In Lacs)	5,109.56	4,146.05	3,824.89	2,175.09	41.47
Weighted average number of shares outstanding during the year	29,766,770	29,766,770	29,766,770	29,390,520	464,444
Adjusted Net Worth (Rs. In Lacs)	17,772.23	12,660.86	8,512.40	4,697.16	1,035.47
Basic Earning Per Share (before Extra ordinary items) (Rs.)	17.17*	13.93	12.85	7.40	8.93
Basic Earning Per Share (after Extra ordinary items) (Rs.)	17.17*	13.93	12.85	7.40	8.93
Diluted Earning Per Share (before Extra ordinary items) (Rs.)	17.17*	13.93	12.85	7.40	8.93
Diluted Earning Per Share (after Extra ordinary items) (Rs.)	17.17*	13.93	12.85	7.40	8.93
Net Assets Value (Rs. Per Share)	59.70	42.53	28.60	15.98	222.95
Return on Adjusted Net Worth (before Extra	28.75%	32.75%	44.93%	46.31%	4.00%





Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
ordinary items) (%)					
Return on Net worth (after Extra ordinary items) (%)	28.75%	32.75%	44.93%	46.31%	4.00%

\* Not Annualised

Formula:

$$\text{Earning Per Share (Basic)} = \frac{\text{Net Profit After Tax}}{\text{Weighted No. of Equity Shares outstanding during the year / period}}$$

$$\text{Earning Per Share (Diluted)} = \frac{\text{Net Profit After Tax}}{\text{Weighted No. of Dilutive Equity Shares outstanding during the year / period}}$$

$$\text{Net Assets Value Per Share (Rs.)} = \frac{\text{Net Worth at the end of the fiscal year / period}}{\text{Weighted No. of Equity Shares outstanding during the year / period}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit After Tax}}{\text{Net Worth at the end of the fiscal year / period}}$$

## ANNEXURE VII

### STATEMENT OF OTHER INCOME

(Rs. in lacs)

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
a) Recurring from Business Activities					
Misc. Receipts	Nil	Nil	1.07	0.20	0.11
Export Incentives	152.22	340.15	376.71	248.31	Nil
Profit on Forward Contract	Nil	Nil	105.59	Nil	Nil
Sub Total(a)	152.22	340.15	483.37	248.51	0.11
b) Non Recurring Business Activities	Nil	Nil	Nil	Nil	Nil
c) Income From Financial Activities	Nil	Nil	Nil	Nil	Nil
d) Income From Investing Activities					
Interest on Fixed Deposits	104.66	189.88	95.98	36.20	2.30
Sub total (d)	104.66	189.88	95.98	36.20	2.30
<b>Total ( a + b + c + d )</b>	<b>256.88</b>	<b>530.03</b>	<b>579.35</b>	<b>284.71</b>	<b>2.41</b>

## ANNEXURE VIII

### CAPITALISATION STATEMENT

(Rs. in lacs)

Particulars	Pre-issue as at 31-12-09	Post-issue as adjusted for the issue
-------------	--------------------------	--------------------------------------



Particulars	Pre-issue as at 31-12-09	Post-issue as adjusted for the issue
<b>Loan Funds:</b>		
Long Term Debts	1,494.94	[•]
Short Term Debts	42,183.38	[•]
<b>Total Debts</b>	<b>43,678.32</b>	[•]
<b>Shareholders Fund:</b>		
Equity Shares Capital	2,976.68	[•]
Preference Share Capital	Nil	
Reserves & Surplus (Incl. Share Premium)	14,800.98	[•]
Misc. Expenses not written off / Adjusted	(5.43)	[•]
<b>Total Shareholders' Fund</b>	<b>17,772.23</b>	[•]
Long Term Debt to Equity	0.08 : 1	[•]
Total Debt to Equity	2.46 : 1	[•]

Note:

The post-issue capitalization can not be determined till the completion of book building process.

## ANNEXURE IX

### TAXATION STATEMENT

Accounting year	<i>(Rs. in lacs)</i>				
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>Assessment Year</b>	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Profit before Tax as per books</b>	7,627.43	6,757.67	6,053.42	3,428.94	(55.48)
<b>Tax Rate</b>	33.99%	33.99%	33.99%	33.66%	33.66%
<b>A. Tax on Book Profit</b>	2,592.56	2,296.93	2,057.56	1,154.18	-
<b>B. Adjustments</b>					
1. Difference between Tax Depreciation and Book Depreciation					
and Book Depreciation	(629.24)	(59.01)	234.28	416.68	463.27
C/F set off against Income	0	0	0	29.27	0
Unabsorbed Depreciation U/s. 32(2)	0	0	0	485.95	0
Total	(629.24)	(59.01)	234.28	931.9	463.27
2. Other Adjustment					
Profit / Loss on sale of Investment	NIL	NIL	NIL	NIL	NIL
Profit / Loss on sale of Fixed Assets	NIL	NIL	(5.96)	NIL	NIL
Others	50.92	32.48	(19.91)	(16.99)	(4.08)
Bank Interest and Dividend	NIL	NIL	NIL	NIL	NIL
Deduction u/s.80 HHC	NIL	NIL	NIL	NIL	NIL
Deduction u/s.80 IB	NIL	NIL	NIL	NIL	NIL
Notional Foreign Exchange Gain	NIL	NIL	NIL	NIL	NIL
Total	50.92	32.48	(25.87)	(16.99)	(4.08)
<b>C. Total Adjustment</b>	<b>(578.32)</b>	<b>(26.53)</b>	<b>208.41</b>	<b>914.91</b>	<b>459.19</b>
<b>E. Tax Saving on Adjustment</b>	<b>(196.57)</b>	<b>(9.02)</b>	<b>70.84</b>	<b>307.96</b>	<b>154.56</b>



Accounting year	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>E. Deduction as per Chapter VI</b>	25	2.27	0.88	0.63	0
<b>F. Total Business income as per Income tax Return</b>	7,049.11	6,728.88	5,839.83	3,000.22	(51.52)
<b>G. Total Taxation</b>	2,387.50	2,287.15	1,985.39	846.01	NIL
<b>H. Tax paid u/s. 115JB</b>	NIL	NIL	NIL	NIL	NIL
<b>I. Tax Provided in the books.</b>	2,387.50	2,287.15	2,077.08	892.81	NIL

The Taxation statement has been prepared based on returns of income filed by the Company with the Income tax authorities, except for the period ending on December, 2009 and not based on restated profits as per Annexure I.

## ANNEXURE X

### RELATED PARTY DISCLOSURE (AS IDENTIFIED BY THE MANAGEMENT)

A) Names of Related Parties and the Nature of Relationship.

Sr. No.	Name	Relationship
01.	Pradip Enterprise Limited	Associate Company
02.	Pradip Petrofils Pvt. Ltd.	Associate Company*
03.	Anu Impex	Partnership Firm in which Directors are Partner
04.	Pradip Exports	Partnership Firm in which Directors are Partner
05.	<b>Key Management Personnel</b>	
	Shri Pradip J. Karia	Chairman cum Managing Director
	Shri Chetan J. Karia	Whole Time Director
	Shri Vishal R. Karia	Whole Time Director
	Shri Amit H. Thakkar	President
	Shri Anil Agarwal	Vice President (Production)
	Shri A.N. Saboo	Vice President (HRD & Admin.)
	Shri Anand Shilpkar	Vice President (Technical)
	Shri Kamal Garg	Vice President (Marketing)
	Shri Kaushik Kapadia	Company Secretary & Compliance Officer

\* Is not an Associate Company for FY 2008-2009 and for the period ending December 31, 2009.

Transactions carried out with related parties referred above in ordinary course of business are as follows:



(Rs. in lacs)

Transaction	Related Party					Key Personnel				
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Sales and Job Income	Nil	Nil	74.87	547.50	171.69	Nil	Nil	Nil	Nil	Nil
Purchases	Nil	154.10	1,037.59	1,109.22	70.98	Nil	Nil	Nil	Nil	Nil
Commission Paid	Nil	Nil	15.27	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rent Paid	4.50	6.00	3.00	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Debit Balance	Nil	Nil	Nil	51.36	Nil	Nil	Nil	Nil	Nil	Nil
Credit Balance	2,255.19	471.06	2,098.42	2,258.10	Nil	22.34	10.15	19.78	38.38	81.61
Acquisition of Net Assets through Merger	Nil	Nil	Nil	1,357.59	Nil	Nil	Nil	Nil	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil	Nil	265.50	324.90	245.13	231.97	Nil
Deposit	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## ANNEXURE XI

### DETAILS OF UNSECURED LOAN

(Rs. in lacs)

Name of the Party	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>From Body Corporate</b>					
<b>- Related Parties <sup>(1)</sup></b>					
- Pradip Enterprises Ltd	2252.86	470.27	2,082.15	2,227.10	0.00
- Pradip Petrofils Pvt. Ltd <sup>(2)</sup>	0.00	0.00	9.50	0.00	0.00
<b>- Others</b>					
- Indiabulls Financial Services Ltd. <sup>(3)</sup>	0.00	0.00	48.64	0.00	0.00
- Reliance Capital Ltd. <sup>(3)</sup>	0.00	0.00	29.18	0.00	0.00
- HDFC Bank Ltd. <sup>(3)</sup>	0.00	0.00	19.57	0.00	0.00
- Pradip Petrofils Pvt. Ltd <sup>(4)</sup>	3575.40	3735.29	0.00	0.00	0.00
<b>Total</b>	<b>5828.26</b>	<b>4205.56</b>	<b>2189.04</b>	<b>2227.10</b>	<b>0.00</b>
<b>From Directors</b>					
Pradip J Karia	0.00	0.00	0.10	25.82	47.00
Chetan J Karia	0.00	0.00	9.00	7.50	27.50
Vishal R. Karia	0.00	0.00	8.80	4.10	7.10
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>17.90</b>	<b>37.42</b>	<b>81.60</b>
<b>From Shareholders</b>					
Bakul J Karia	0.00	0.00	0.00	0.00	4.10
Ramesh J Karia	0.00	0.00	0.00	0.00	5.10
Pritesh J Karia	0.00	0.00	0.00	0.00	4.35
Jayantilal V Karia	0.00	0.00	0.00	0.00	1.74
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15.30</b>



**Note:**

- (1) - The above Unsecured Loans do not carry any Terms and Conditions and may be recalled by the Lenders at any time.
- (2) - Is not an Associate Company for FY 2008-2009 and for the period ending December 31, 2009.
- (3) - Loans from these Body Corporate's are repayable in 36 equal installments.
- (4) - The unsecured loan from Pradip Petrofils Pvt. Ltd do not carry any term and condition except interest @ 12% and may be recalled by the Lender at any time.

**ANNEXURE XII**

**DETAILS OF SECURED LOAN**

**A. Working Capital Facilities (Fund and Non-Fund Based)**

<i>(Rs. in lacs)</i>					
Sr. No	Name of Bank	Nature of Limit	Rate of Interest	Outstanding as at December 31, 2009	Details of Security
01	Indian Overseas Bank	Cash Credit / Packing Credit	BPLR	5160.13	Refer notes below
		Bill Discounting	BPLR	3271.48	
		Letter of Credit		4296.54	
		Letter of Guarantee		15.00	
02	Canara Bank	Bill Discounting	BPLR	2070.00	Refer notes below
		Cash Credit / Packing Credit	BPLR PC-9.50 %	3939.91	
		Letter of Credit		3302.00	
		Letter of Guarantee		Nil	
03	Union Bank of India	Cash Credit / Packing Credit	BPLR +0.75%	2598.38	Refer notes below
		Bill Discounting	BPLR +0.75%	Nil	
		Letter of Credit		2377.02	
		Letter of Guarantee		Nil	
04	State Bank of India	Cash Credit / Packing Credit	SBAR+0.25%	1636.06	Refer notes below
		Bill Discounting	SBAR+0.25%	999.30	
		Letter of Credit*		2350.93	
		Letter of Guarantee		Nil	
05	Bank of India	Cash Credit – Stock / Book Debt	BPLR + 0.50%	1906.77	Refer notes below
		Letter of Credit		799.99	
06	Allahabad Bank	Cash Credit – Stock / Book Debt	PLR	4999.00	Refer notes below
		Letter of Credit		2897.77	
07	Karur Vysya Bank	Cash Credit – Stock / Book Debt	BPLR – 1 %	2021.54	Refer notes below
		Letter of Credit		993.02	
08	Dena Bank	Cash Credit – Stock /	BPLR	1563.60	Refer notes below



Sr. No	Name of Bank	Nature of Limit	Rate of Interest	Outstanding as at December 31, 2009	Details of Security
		Book Debt			
		Letter of Credit		494.74	
09	Standard Chartered Bank	Bill Discounting	As per Circular	1631.63	Refer notes below
		Cash Credit / Packing Credit	As per Circular	1015.90	
10	Lakshmi Vilas Bank Ltd.	Corporate loan for Working Capital	BPLR-1	2529.74	Refer notes below

**Note:**

**Assets of the Company charged as security:**

Primary security for Working Capital Loans comprises of Hypothecation of Stock and Book Debts, and Second Charge of fixed assets like Land, Building, Plant and Machinery, and other movable assets of the Company.

**B. Term Loan (Fund Based)**

**DETAILS OF TERM LOANS FROM VARIOUS BANKS**

(Rs. in lacs)

Name Of Bank	Rate of Interest	Sanctioned Limit	Outstanding As On 31.12.09	Repayment Term	Details of Security
Indian Overseas Bank	PLR + 2 %	900.00	507.45	84 Equal Monthly Installment	Refer notes below
Canara Bank (Short Term Corporate Loan)	As per Circular	1000.00	1011.67	Bullet Repayment after Six Month form the date of availment ( i. e. 15.11.2009 )	Exclusive Charge on Land at Mouje Village, Bhamsra, Taluca Bavla, Ahmedabad measuring 16592 Sq. Mtrs.
Canara Bank	BPLR+3.50%	276.00	13.97	20 Equal quarterly installment of Rs. 13.80 Lacs	Refer notes below
Canara Bank	BPLR+3.50%	1,350.00	617.02	83 Equal Monthly Installment of Rs. 16 Lacs & Last installment of Rs. 22 Lacs	Refer notes below
State Bank of India	SBAR+0.50%	620.00	342.64	81 Equal Monthly Installment of Rs. 7 Lacs, 82 <sup>nd</sup> Installment of Rs. 8 Lacs & Last 5 Installment of Rs. 9 Lacs.	Refer notes below

**Note:**

**Assets of the Company charged as security:**

Primary security comprises of an Equitable Mortgage of specified land and Building, and Hypothecation of certain immovable assets, Plant, Machinery and movable assets, as well as second charge by way of hypothecation of all stocks and book debts.

**DETAILS OF VEHICLE LOANS FROM VARIOUS BANKS**



(Rs. in lacs)

Name of the Bank	Sanctioned Limit	Outstanding as on 31-12-09	Repayment Schedule
Indian Overseas Bank- Mercedes Benz	35.000	3.770	36 monthly installment each of Rs. 1.13 Lacs
ICICI Bank - SKoda	10.000	6.010	48 monthly installment each of Rs. 0.23 Lacs
TATA Capital - Honda City	6.410	3.780	36 monthly installment each of Rs.0.22 Lacs
ICICI Bank - Maruti Zen	3.000	0.300	36 monthly installment each of Rs.0.10 Lacs

**Note :**

Vehicle Loans are secured by Hypothecation of the respective Vehicles.

**ANNEXURE XIII**

**BREAK UP OF SUNDRY DEBTORS**

(Rs. in lacs)

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
<b>[ Unsecured Considered Goods ]</b>					
Debts Outstanding for					
More than six month	2,196.52	1,031.78	5,44.61	522.66	-
Less than six month	34,768.21	20,448.99	14,010.67	4,136.83	46.29
<b>Total</b>	<b>36,964.73</b>	<b>21,480.77</b>	<b>14,555.29</b>	<b>4,659.50</b>	<b>46.29</b>

There are no beneficiaries of debtors of the Company, who are in any way related to the promoter / director of the Company as on 31.12.2009

**ANNEXURE: XIV**

**BREAK UP OF LOANS AND ADVANCES**

(Rs. in lacs)

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Advance Recoverable in cash or in kind or for value to be received	3,741.87	2,909.89	173.77	67.25	5.69
Advance against Capital Goods	215.94	185.00	34.24	165.89	14.46
Cenvat Receivable	28.99	28.99	54.25	56.15	9.05
Export Incentives Receivable	99.49	129.51	177.50	64.11	25.26
Sundry Deposits	72.16	60.39	51.35	39.70	27.02
Capital Subsidy Receivable	222.41	222.41	222.41	222.41	222.41
<b>Total</b>	<b>4,380.86</b>	<b>3,536.19</b>	<b>713.52</b>	<b>615.51</b>	<b>303.89</b>

There are no beneficiaries of Loans and Advances of the Company, who are in any way related to the promoter / director of the Company as on 31.12.2009

**ANNEXURE: XV**



## BREAK UP OF RESERVES AND SURPLUS

*(Rs. in lacs)*

Particulars	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Security Premium	-	-	841.50	841.50	744.75
De-Merger Reserve	150.76	150.76	150.76	150.76	-
Profit and Loss	14,650.22	9,540.66	6,041.45	2,216.56	41.47
<b>Total</b>	<b>14,800.98</b>	<b>9,691.42</b>	<b>7,033.71</b>	<b>3,208.82</b>	<b>786.22</b>





## ENTITIES PROMOTED BY OUR PROMOTERS

Our Company' has four Entities Promoted by our Promoters, namely:

1. Pradip Enterprises Limited;
2. Pradip Energy Limited
3. M/s. Pradip Exports;
4. M/s. Anu Impex;

### PRADIP ENTERPRISES LIMITED, (“PEL”)

#### Brief History

PEL was incorporated on December 22, 1999 as Pradip Overseas Private Limited and was subsequently converted into a public limited company *vide* certificate of incorporation dated August 02, 2006 bearing the name as “Pradip Overseas Limited” with CIN U18101GJ1999PLC037059. Subsequently, the name of the company was changed from “Pradip Overseas Limited” to “Pradip Enterprises Limited” *vide* certificate of incorporation dated September 24, 2007. The registered office of PEL is situated at 603/A Narnarayan Complex, Swastik Cross road, Navrangpura, Ahmedabad, Gujarat-380009. The Corporate Identification Number of PEL is U18101GJ1999PLC037059.

#### Details of Scheme of Demerger:

With effect from April 01, 2006, the textile division of PEL was demerged into our Company. Pursuant to the Scheme of Demerger, all the assets and liabilities in the name of the textile division of PEL were transferred to our Company. Further *vide* the Scheme of Demerger, our Company allotted 3 fully paid up Equity Shares to every shareholder of PEL against every 2 equity shares of face value Rs. 10 each held in PEL.

#### Nature of Activities

PEL is currently engaged in the business of trading in agro products which includes castor oil and its products, rape seeds, wheat, rice etc.

#### Board of Directors

As on February 10, 2010, PEL’s board of directors consisted of:

Sr. No.	Name	Designation
1.	Mr. Pradipkumar Karia	Director
2.	Mr. Chetan Karia	Director
3.	Mr. Vishal Karia	Director

#### Shareholding Pattern

The shareholding pattern of PEL, as on February 10, 2010, is as follows:

Sr. No.	Name of Shareholders	Number of Equity shares	Percentage of share capital [%]
1.	Mr. Pradipkumar Karia	7,21,340	8.29
2.	Mr. Chetan Karia	7,82,830	9.00
3.	Mr. Pritesh Karia	2,71,040	3.12
4.	Mr. Bakul Karia	2,68,040	3.08
5.	Mr. Rameshkumar Karia	79,210	0.91
6.	Mr. Vishal Karia	7,78,310	8.94
7.	Mr. Anil Agarwal	1,36,200	1.57
8.	Mr. Dipex Modi	1,36,200	1.57
9.	Ms. Jayshree Karia	1,36,210	1.57
10.	Ms. Meena Karia	1,36,210	1.57
11.	Ms. Rupa Karia	11,79,270	13.55
12.	Ms. Amita Karia	12,40,760	14.26
13.	Ms. Sona Karia	1,36,210	1.57



Sr. No.	Name of Shareholders	Number of Equity shares	Percentage of share capital [%]
14.	Mr. Vijay Salhekar	1,43,700	1.65
15.	Mr. Amit Thakkar	1,36,210	1.57
16.	Ms. Manjula Karia	1,36,210	1.57
17.	Mr. Kantilal Karia	1,36,210	1.57
18.	Pradip Petrofils Private Limited	19,46,930	22.38
19.	Bhakti karia	2,00,000	2.30
<b>TOTAL</b>		<b>87,01,090</b>	<b>100.00</b>

#### Financial Performance:

(Rs. In Lacs) Audited

Particulars	For the Financial Year ended March 31		
	2009	2008	2007
Sales and other Income	30,771.84	21,764.09	43,766.16
Profit / (Loss) after tax	106.91	198.13	240.63
Equity Share Capital	869.35	804.56	804.56
Reserves and Surplus	2,192.21	2,101.45	2,189.83
Revaluation Reserves	-	-	-
Net worth	2,538.53	2111.45	1928.33
Earnings per share (of Rs.10 each)	1.23	2.46	2.99
Book value per share (of Rs.10 each)	35.45	36.37	37.47

Face value of each equity share is Rs.10.

PEL is not listed in any of the stock exchanges in India or abroad and has not made any public /rights issue of its shares. Further, no action has been taken against the company by any stock exchange or SEBI.

PEL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

PEL does not have negative net worth.

#### PRADIP ENERGY LIMITED (“PENL”)

##### Brief History

PENL was incorporated on June 26, 2009, having Corporate identity Number U40100GJ2009PLC057360. The registered office of PENL is situated at A-601, Narnarayan Complex, Swastik Cross Road, Navrangpura, Ahmedabad 380009, Gujarat.

##### Nature of Activities

PENL is primarily engaged in the business of generating electrical power by conventional, non conventional methods including wind, tidal waves, coal, gas, bio mass etc.

##### Board of Directors

As on February 10, 2010 PENL’s board of directors consisted of:

Sr. No.	Name	Designation
1.	Mr. Pradipkumar Karia	Director
2.	Mr. Chetan Karia	Director
3.	Mr. Vishal Karia	Director
4.	Mr. Amit Thakkar	Director
5.	Mr. Pritesh Karia	Director



## Shareholding Pattern

The shareholding pattern of PENL, as on February 10, 2010 is as follows

Sr. No.	Name of Shareholders	Number of shares	Percentage of share capital [%]
1.	Mr. Pradipkumar Karia	38,000	76
2.	Mr. Chetan Karia	7,000	14
3.	Mr. Vishal Karia	1,000	2
4.	Mr. Amitkumar Thakkar	1,000	2
5.	Mr. Priteshkumar J. Karia	1,000	2
6.	Mr. Bakul Karia	1,000	2
7.	Mr. Ramesh Karia	1,000	2
	<b>Total</b>	<b>50,000</b>	<b>100</b>

## Financial Performance

As PENL was incorporated on June 26, 2009, hence no financial results are available.

Face value of each equity share is Rs.10.

PENL is not listed on any of the stock exchanges in India or abroad and has not made any public/ rights issue of its shares. Further, no action has been taken against the company by any Stock Exchange or SEBI.

PENL does not fall under the definition of a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it under winding up.

PENL does not have negative net worth.

## PARTNERSHIP FIRMS

### **M/s. PRADIP EXPORTS**

#### **Brief History**

M/s. Pradip Exports is a partnership firm formed under a partnership deed dated August 11, 1995. M/s. Pradip Exports has its office at 12, Paradise Park, Vadaj, Ashram Road, Ahmedabad, Gujarat-380013

#### **Nature of Activities**

M/s. Pradip Exports is currently not engaged in any kind of activity and the only source of revenue for the partnership firm is the rent paid by our Company for occupying the premises owned by M/s. Pradip Exports as its Registered Office.

#### **Partners of M/s. Pradip Exports**

As on February 10, 2010, M/s. Pradip Exports has five partners and their profit sharing ratio is as follows:

Names of the Partners	%
Mr. PradipkumarKaria	40
Mr. Chetan Karia	15
Mr. Ramesh Karia	15
Mr. Bakul Karia	15
Mr. Pritesh Karia	15
<b>Total</b>	<b>100</b>



## Financial Performance

(Rs. In Lacs)

Particulars	For the Financial Year ended March 31		
	2009	2008	2007
Total Income	7.20	4.56	0.78
Profit/ (Loss) After Tax	5.18	2.21	(0.10)
Capital Account	16.27	16.74	26.84

### M/s. ANU IMPEX

#### Brief History

M/s. Anu Impex is a partnership firm formed under a partnership deed dated January 15, 1993. M/s. Anu Impex has its office situated at Ramkada Market, Pankornaka, Ahmedabad, Gujarat.

#### Nature of Activity

M/s. Anu Impex was established for manufacturing and trading and export of all types of textile goods. This partnership firm is not currently involved in any business activity.

#### Partners of M/s. Anu Impex

As on February 10, 2010, M/s. Anu Impex has 5 partners and their profit sharing ratio as on date is as follows:

Names of the Partners	%
Mr. Pradipkumar Karia	20
Mr. Chetan J. Karia	20
Mr. Bakul J. Karia	20
Mr. Pritesh J. Karia	20
Mr. Ramesh J. Karia	20
<b>Total</b>	<b>100</b>

## Financial Performance

(Rs. In Lacs)

Particulars	For the Financial Year ended March 31		
	2009	2008	2007
Total Income	6.03	683.29	2345.37
Profit/ (Loss) After Tax	NIL	5.78	15.42
Capital Account	165.29	162.40	151.15

#### Details of Companies / firms from which Promoters have disassociated in the last three years

Except as set out below, our Promoters have not disassociated themselves from any company / firm in the last three years:

Sr. No.	Name of the Company	Name of the Promoter	Date of Disassociation	Reason for Disassociation	Terms of Disassociation
1.	Ameedhara Food and Agro Products Private Limited	Mr. Pradipkumar Karia	March 31, 2008	Mr. Pradipkumar Karia decided to disassociate himself with Ameedhara Food and Agro Products Private Limited in order to concentrate on the main line of business activities.	N.A
2.	Pradip Hi-Tech Textile Park Private Limited	Mr. Pradipkumar Karia	March 31, 2008	The company was incorporated for the purpose of setting up Textile Park. Subsequently, Pradip Overseas Limited, decided to set up its own textile park and therefore, company became inoperative and therefore, Mr. Pradipkumar Karia, decided to disassociate with the company.	N.A



<b>Sr. No.</b>	<b>Name of the Company</b>	<b>Name of the Promoter</b>	<b>Date of Disassociation</b>	<b>Reason for Disassociation</b>	<b>Terms of Disassociation</b>
3.	Dhaval Impex Private Limited	Mr. Pradipkumar Karia	March 31, 2008	The company was incorporated for the purpose of Import and Export of various items. To Concentrate on main line of business Mr Pradipkumar Karia decided to disassociate with the company.	N.A
4.	Pradip Petrofils Private Limited	Mr. Pradipkumar Karia and Mr. Chetan Karia	March 18, 2009	Mr. Pradipkumar Karia and Mr. Chetan Karia decided to disassociate themselves with Pradip Petrofils Private Limited in order to concentrate on the main line of business activities.	N.A.
5.	Dharmadev Builders Private Limited	Mr. Pradipkumar Karia and Chetan Karia	September 20, 2009	Mr. Pradipkumar Karia and Mr. Chetan Karia decided to disassociate themselves with Dharmadev Builders Private Limited in order to concentrate on the main line of business activities.	N.A.

#### **Details of Entities Promoted by our Promoters whose names have been struck off from RoCs**

None of the Entities Promoted by our Promoters have been struck off the record of RoC as “defunct companies” under the provisions of Section 560 of the Companies Act.

#### **Common Pursuits**

For details of common pursuits involving Entities Promoted by our Promoters, please refer chapter titled “*Our Promoters and their Background*” beginning on page 146 of the Red Herring Prospectus.

#### **Sales or purchase between our Company and Entities Promoted by our Promoters**

There have been no transactions of sale or purchase between our Company and the Entities Promoted by our Promoters amounting to 10% of the total turnover of our Company in the last three years.

For further details on transactions between our Company and the Entities Promoted by our Promoters please refer to the Annexure X titled “*Related Party Disclosure*” in the chapter titled “*Auditors’ Report and Financial Information of our Company*” beginning on page 150 of the Red Herring Prospectus.

#### **Changes in Accounting Policies in the last three years**

Apart from the details mentioned in the paragraph titled “*Changes in Accounting Policy*” contained in chapter titled “*Auditors Report and Financial Information of our Company*” beginning on Page 150 of the Red Herring Prospectus, there have been no changes in the accounting policies of our Company in the last three years.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in the Red Herring Prospectus. You should also read the chapter titled 'Risk Factors' beginning on page 12 of the Red Herring Prospectus, which enumerates number of factors and contingencies that could impact our financial condition and results of operations.

These financial statements have been prepared in accordance with the Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009 and restated as described in the report of our Statutory Auditor Ashok Dhariwal & Co., Chartered Accountants dated February 15, 2010 in the section titled "*Financial Statements*" beginning on page 150 of the Red Herring Prospectus.

Our financial year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. Our historical financial performance may not be considered as indicative of future financial performance.

### **Business Overview**

Our Company is one of the few textile manufacturers with niche focus on Home Linen Products of both, wider width and narrow width. In addition to the sales in the domestic markets, our products are being exported to markets in more than twenty countries (directly and indirectly). Our current manufacturing capacity is 136.50 million metres per annum with an average capacity utilization of 92%. Our existing facility is located at Changodar near Ahmedabad in Gujarat. We are enhancing our capacities to 169.50 million metres per annum in order to meet the expanding demand and further consolidate our position in the home linen market. The expansion project is being implemented at the Proposed Textile SEZ being promoted by us near Ahmedabad in Gujarat.

We have been certified as conforming to the Quality Management System Standard ISO 9001:2008 covering the supply of dyed and printed fabrics. Further, our existing manufacturing facility at Plot No. 104, 105 and 106, Charcharwadi – Vasana Sarkhej, Bhavla Highway, Opposite Zydus Cadila, Near Prakash Solvent, Changodar, Ahmedabad 382213, Gujarat, India, has been granted authorization according to Oeko-Tex Standard 100 to use the Oeko-Tex mark for articles, namely bed sets (made-ups), woven fabrics made out of 100% cotton and polyester, bleached, reactive dyed, reactive printed, dispersed dyed and dispersed printed and pigment printed (inclusive sewing threads, buttons and zippers), produced by using material certified according to Oeko-Tex Standard 100. Further, after implementation of the Project, we also intend to file applications for obtaining similar certifications for our Proposed Manufacturing Facility.

In order to strengthen our business presence, we have undertaken the following key business initiatives and signed Memorandum of Understanding (MoU) with the following parties:-

1. Our Company has received permission from International Development LLC for using and marketing the brand "Lucy B Linens" for Home Linen Products in India and other pertinent countries.
2. C. A. Patel Textiles Private Limited for marketing our products in the domestic market.

### **Material developments occurring after the last Balance Sheet Date, that is, December 31, 2009:**

1. We have acquired land for our Project and our Proposed Textile SEZ, as per details mentioned in the chapter titled "*Business Overview*" beginning on page 92 of the Red Herring Prospectus

### **Key factors affecting the results of operation:**

Our financial condition and results of operations are affected by numerous factors and following are of particular importance:

1. Condition and performance of the home linen market;
2. General economic and demographic conditions;
3. Regulations affecting the home linen industry;
4. Our ability to manage raw material procurement, human resources, working capital and logistics efficiently;
5. Our ability to launch new designs on a regular basis ;
6. Competition and Pricing pressures;
7. Availability of finance on favorable terms;
8. Success of our proposed expansion plan.



## OUR SIGNIFICANT ACCOUNTING POLICIES

For Significant accounting policies please refer to the section titled “Financial Statements” beginning on page 150 of the Red Herring Prospectus.

### Turnover:

Our Company is one of the few textile manufacturers with niche focus on Home Linen Products of both, Wider width and Narrow width. The break-up of sales into Wider Width and Narrow width for the earlier years / periods are as under:

*(Rs. In Lacs)*

Product	Period ended December 31, 2009	Year Ended 31 <sup>st</sup> March		
		2009	2008	2007
Wider Width	73,402.33	61,471.36	41,891.15	23,134.60
Narrow Width	28,240.39	33,078.27	23,911.15	16,135.17
Trading Goods	20,039.78	22,508.48	-	-
<b>Total</b>	<b>1,21,682.50</b>	<b>1,17,058.11</b>	<b>65,802.30</b>	<b>39,269.77</b>

Composition of our sales mix in terms of Narrow width and Wider width has undergone a change with an inclination towards wider width cloth. Turnover of our Wider width products showed growth of 46.74 % in FY 2009 and 81.07% in FY 2008. Our Narrow width sales was also on upside, showing a growth of 38.34% in FY 2009 and 48.19% in FY 2008. Our Company was able to improve sales realization per meter which stood at Rs. 71.35 per meter in FY 2007 has gone up to Rs. 83.30 per meter in FY 2008 and Rs. 94.82 in FY 2009.

### Exports:

The composition of our sales both in the domestic as well as in the overseas market is as follows

*(Rs. In Lacs)*

Product	Period ended December 31, 2009	Year Ended 31 <sup>st</sup> March		
		2009	2008	2007
Domestic Sales	67,168.25	61,459.75	31,603.78	15,611.81
Direct Export	2,951.86	4,082.88	3,334.18	3,776.15
Indirect Export	51,562.39	51,515.48	30,864.34	19,881.81
<b>Total</b>	<b>1,21,682.50</b>	<b>1,17,058.11</b>	<b>65,802.30</b>	<b>39,269.77</b>

Our Company has presence in domestic as well as overseas markets. Our export turnover (direct as well as indirect) for FY 2009 accounts for nearly 47.50% of our total sales. The majority of the exports are in rupee denomination because of the export through the local offices or representative of foreign buyers. As the currency markets are very volatile, we believe in hedging Forex exposures. Our products are exported to American and European markets. Our Company was able to increase the share of exports to American markets, which stood at 58.41 % of the total exports for the FY 2007 to 63.94 % of the total exports for FY 2008 and to 67.22% in FY 2009.

Particulars	USD	Euro
As on March 31, 2008	27,72,411	-
As on March 31, 2009	1,40,00,000	58,00,000
As on December 31, 2008	18,60,818.4	-
As on December 31, 2009	4,00,000	1,00,000

The above mentioned (Forex Hedging) contracts are made by our Company to cover the foreign exchange fluctuation risk. Our Company puts forth these contracts with their bankers on the basis of orders and prospective inquiries. On the due date our Company receives the contracted / hedged rate from the bankers. This arrangement eliminates the risk in the foreign exchange rate fluctuation.

### Raw Material Cost



Grey cloth is the primary input required for manufacturing our products and constitutes around 80% of our turnover. Our grey requirements depend on the quality of our end products for domestic and international markets. Our Company has developed a healthy and long term relationship with the quality suppliers of grey cloth from Western and Southern India from whom we source our current requirements. Our Company places back to back order for grey cloth based on sales order received thereby minimizing exposure to price volatility of raw material. Our endeavor is to efficiently utilize the input material and get maximum output. Our Company was successful in improving the input-output ratio for grey cloth from 94.17% for the FY 2007 to 96.82% for the FY 2008 and to 96.93% for the FY 2009. The input output ratio for the period ended December 31, 2009 is 96.95%. Other raw materials include dyes and chemicals for printing the colour designs on the processed grey cloth.

***Operating (other than raw material) and other expenses***

Operating expenses include other manufacturing expenses, salaries and wages, administration expenses and selling and distribution expenses. Our Company aims at achieve maximum output by reducing breakdown and unplanned factory shut downs. Our endeavor has resulted in zero unplanned factory shut downs during FY 2009, FY 2008 as well as in FY 2007.

***Depreciation***

Depreciation has been provided on Fixed Assets on Straight Line Method as per rates specified in Schedule XIV of the Companies Act, 1956 as amended from time to time.

***Earnings before Interest, Depreciation and Tax***

(Rs. In Lacs)

Product	Period ended December, 2009	Year Ended 31 <sup>st</sup> March		
		2009	2008	2007
EBITDA	12,625.75	11,870.20	8,788.67	4,861.22
Net Sales	121,682.50	117,058.11	65,802.30	39,269.77
<b>EBITDA / Net Sales (%)</b>	<b>10.38%</b>	<b>10.14%</b>	<b>13.36%</b>	<b>12.38%</b>

***Profit After Tax***

(Rs. In Lacs)

Product	Period ended December, 2009	Year Ended 31 <sup>st</sup> March		
		2009	2008	2007
PAT	5,109.56	4,146.05	3,824.89	2,175.09
Net Sales	121,682.50	117,058.11	65,802.30	39,269.77
<b>PAT / Net Sales (%)</b>	<b>4.20%</b>	<b>3.54%</b>	<b>5.82%</b>	<b>5.54%</b>

***Sundry Debtors***

The details of debtors for the respective years are as under:

(Rs. In Lacs)

Product	Period ended December, 2009	Year Ended 31 <sup>st</sup> March		
		2009	2008	2007
Net Sales	1,21,682.50	117,058.11	65,802.30	39,269.77
Debtors				
Debtors less than 180 days	34,768.22	20448.99	14,010.67	4,136.83
Debtors more than 180 days	2,196.52	1031.78	544.61	522.66
Bad Debts written off	0.00	0.00	12.30	0.00
No of days outstanding debtors (days)	83.54	66.98	80.74	43.31
% of bad debts to sales (%)	.00	0.00	0.02	0.00





## Discussion on Results of Operations

Particulars	(Rs. In lacs)									
	December 31, 2009	% of Total Income	March 31, 2009	% of Total Income	March 31, 2008	% of Total Income	March 31, 2007	% of Total Income	March 31, 2006	% of Total Income
<b>INCOME</b>										
-Turnover of Goods Mfg. by the Company	101,642.72	80.04	94,549.63	78.13	65,802.30	94.94	39,269.77	94.81	196.89	88.11
-Turnover of Goods Traded by the Company	20,039.78	15.78	22,508.48	18.60	-	-	-	-	-	-
Other Income	256.88	0.20	530.03	0.44	579.35	0.84	284.71	0.69	2.41	1.08
Increase (Decrease) In Inventory	5,045.07	3.97	3,421.50	2.83	2,931.32	4.23	1,866.97	4.51	24.15	10.81
<b>Total Income</b>	<b>126,984.45</b>	<b>100.00</b>	<b>121,009.64</b>	<b>100.00</b>	<b>69,312.97</b>	<b>100.00</b>	<b>41,421.45</b>	<b>100.00</b>	<b>223.45</b>	<b>100.00</b>
<b>EXPENDITURE</b>										
Raw Material Consumed	87,236.39	68.70	78,227.48	64.65	53,914.10	77.78	32,183.96	77.70	166.34	74.44
Cost of Goods Traded	19,877.94	15.65	22,250.57	18.39	-	-	-	-	-	-
Staff Costs	428.89	0.34	543.64	0.45	371.22	0.54	269.67	0.65	3.52	1.58
Other Manufacturing Expenses	6,141.15	4.84	7,245.34	5.99	5,539.50	7.99	3,427.40	8.27	42.33	18.94
Administrative Expenses	352.33	0.28	343.60	0.28	297.34	0.43	289.29	0.70	3.70	1.66
Selling & Distribution Expenses	322.00	0.25	528.81	0.44	402.14	0.58	389.91	0.94	0.02	0.01
<b>Total Expenditure</b>	<b>114,358.70</b>	<b>90.06</b>	<b>109,139.44</b>	<b>90.19</b>	<b>60,524.30</b>	<b>87.32</b>	<b>36,560.23</b>	<b>88.26</b>	<b>215.91</b>	<b>96.63</b>
<b>EBIDTA</b>	<b>12,625.75</b>	<b>9.94</b>	<b>11,870.20</b>	<b>9.81</b>	<b>8,788.67</b>	<b>12.68</b>	<b>4,861.22</b>	<b>11.74</b>	<b>7.54</b>	<b>3.37</b>
Interest	4,492.46	3.54	4,559.88	3.77	2,209.03	3.19	970.31	2.34	37.56	16.81
Depreciation & Amortisation	504.05	0.40	539.34	0.45	486.53	0.70	429.83	1.04	17.52	7.84
Miscellaneous Expenditure Written Off	1.81	0.00	15.91	0.01	14.37	0.02	6.88	0.02	2.78	1.24
<b>Net Profit Before Tax And Extraordinary Items</b>	<b>7,627.43</b>	<b>6.01</b>	<b>6,755.07</b>	<b>5.58</b>	<b>6,078.74</b>	<b>8.77</b>	<b>3,454.20</b>	<b>8.34</b>	<b>(50.32)</b>	<b>(22.52)</b>



Particulars	Decembe	% of	March	% of	March	% of	March	% of	March	% of
Provision For Taxation:	2,517.87	1.98	2,609.02	2.16	2,253.85	3.25	1,279.11	3.09	(91.79)	(41.08)
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>5,109.56</b>	<b>4.02</b>	<b>4,146.05</b>	<b>3.43</b>	<b>3,824.89</b>	<b>5.52</b>	<b>2,175.09</b>	<b>5.25</b>	<b>41.47</b>	<b>18.56</b>
Extraordinary Items					-		-		-	-
Net Profit	5,109.56	4.02	4,146.05	3.43	3,824.89	5.52	2,175.09	5.25	41.47	18.56
<b>Earing Per Share</b>	<b>17.17</b>		<b>13.93</b>		<b>12.85</b>		<b>7.40</b>		<b>8.93</b>	

### *Financial Review of the Period Ended December 31, 2009*

#### **Total Income:**

The turnover for the period ended December 31, 2009 stood at Rs.1,21,682.50 Lacs. Our Company has been successful in maintaining the capacity utilization. The capacity utilization of our company for the period ended December 31, 2009 stood at 95.96% of the installed capacity as compared to capacity utilization of 97.92% for the FY 2009. The reason for decrease in capacity utilization is increase in installed capacity from 115.50 million meters per annum in FY09 to 136.50 million meters per annum during the period ending December 31, 2009. Other Income for the period ended December 31, 2009 is Rs. 256.88 Lacs, which includes Export Incentives of Rs. 152.23 Lacs. We are focusing on maximum utilization of processing capacities for own products. As a result of the same, the value of work processed for outside parties has reduced to 2.51% for the period ending December 31, 2009 from 3.01% in FY 2009, as a percentage of total sales.

#### **Expenditure:**

##### **Raw Material Consumed:**

Raw material consumption for the period ended December 31, 2009 stood at 87,236.39 Lacs. Raw material cost as a percentage to total income excluding the income generated through trading, constituted 81.57% as compared to 79.42% for the FY 2009. The input output ratio for grey cloth for the period stood at 96.95%.

##### **Staff Cost:**

Staff cost for the period stood at Rs. 428.89 Lacs. Staff cost as percentage of total income for the period stood at 0.34 %. There were 109 employees as at end of the December 31, 2009

##### **Other Manufacturing Expenses:**

Other Manufacturing Expenses for the period stood at Rs. 6,141.15 Lacs. Other Manufacturing Expenses as a percentage of the Total Income for the period stood at 4.84%.

##### **Selling and Distribution Expenses:**

Selling and Distribution Expenses for the period is Rs. 322.00 Lacs. Selling and Distribution Expenses as a percentage of the Total Income for the period stood at 0.25%.

##### **EBIDTA:**

EBIDTA for our Company for the period ended December 31, 2009 stood at 12,625.75 lacs. Our EBIDTA margins have marginally increased from 9.81 % in FY 2009 to 9.94% for period ended December 31, 2009.

##### **PAT:**

Our Net profit after tax for the period ended December 31, 2009 is Rs. 5,109.56 Lacs. Net profit as a percentage of total income for the period stood at 4.02% as compared to 3.43% for the FY 2009 on the back of higher sales realization, change in sales mix and economies of scale.



## **Comparison of FY 2009 with 2008**

### **Total Income**

The turnover from goods manufactured by our Company has gone up from Rs. 65,802.30 Lacs for the FY 2008 to Rs. 94,549.63 Lacs for the FY 2009 showing a growth of 43.69% due to expansion of our capacities during the FY 2009 from an installed capacity of 108.50 million meters per annum to 115.50 million meters per annum. The capacity utilization of our company for the FY 2009 stood at 97.92% of the installed capacity. Further, in FY 09, our Company commenced trading of textile products which generated total revenues of 22,508.48 lacs. We are focusing on maximum utilization of processing capacities for own products. As a result of the same, the value of work processed for outside parties has gone down to 3.01% for FY 2009 from 4.65% of the total sales for the FY 2008.

Total Income for FY 2009 stood at Rs. 1,21,009.64 Lacs in FY09 as against Total Income of Rs. 69,312.97 Lacs in FY 2008 showing a growth of 74.58%. The contribution of Other Income to our Total Income has been negligible which stood at 0.44% of the total income in FY 2009 as against 0.84% of the total income in FY 2008. Other income primarily comprises of Export Incentives under EXIM policy and interest on bank deposits.

### **Raw Material Consumed:**

Raw material consumed has gone up from Rs. 53,914.10 Lacs for the FY 2008 to Rs. 78,227.48 Lacs for the FY 2009 showing an increase of 45.10%. The increase in raw material consumed is mainly on account of increase in turnover of manufactured goods which showed a growth of 43.69% over the previous year. Raw material cost as a percentage to total income excluding the income generated through trading was at 79.42% for the FY 2009 as compared to 77.78% for the FY 2008. The production has gone up from 98.27 million meter for the FY 2008 to 113.10 million meter for the FY 2009. Our company has also been successful in reducing the wastage of raw material which can be witnessed from the improved input - output ratio for grey cloth of 96.93% in FY 2009 as compared to 96.82% in FY 2008.

### **Staff Cost:**

Staff cost for the FY 2009 stood at Rs. 543.64 Lacs as compared to Rs. 371.22 Lacs for the FY 2008 showing an increase of 46.45%. This increase can be attributable to the fact of increase in employee strength from 98 in FY 2008 to 115 in FY 2009. The Staff cost as percentage of total income stood at 0.45 % for the FY 2009 as compared to 0.54% for the FY 2008. The increase in employees and thereby employee cost was mainly on account of increase manufacturing capacities. Skilled labour is very essential for our industry hence our Company is committed towards retention and development of its staff. Our endeavor has helped us retain maximum staff with only 8 employees leaving us in FY 2009 and only 1 employee leaving us in FY 2008.

### **Other Manufacturing Expenses:**

Other Manufacturing Expenses has gone up from Rs. 5,539.50 Lacs in FY 2008 to Rs. 7,245.34 Lacs in FY 2009 showing an increase of 30.79%. This increase can be attributable to the increase in turnover of manufactured goods of 43.69% in the same period. Other Manufacturing Expenses stood at 5.99% of the total income in FY 2009 as compared to 7.99% in FY 2008.

### **Administrative Expenses:**

Administrative Expenses has increased from Rs. 297.34 Lacs for the FY 2008 to Rs. 343.60 Lacs for the FY 2009 attributing to a percentage increase of 15.56%. Administrative Expenses stood at 0.28% of the total income for FY 2009 as compared to 0.43% for the FY 2008.

### **Selling and Distribution Expenses:**

Selling and Distribution Expenses has gone up from Rs. 402.14 Lacs for the FY 2008 to Rs. 528.81 Lacs for the FY 2009 showing an increase of 31.50%. With the company's increased efforts to augment its growth by strengthening its brand visibility, there was an increase in its advertising and promotional expense. Also, our Company's payment towards commission to agents increased during this period due to increased volume of sales.

Selling and Distribution Expenses stood at 0.44% of the Total Income for FY 2009 as compared to 0.58% for the FY 2008.

### **EBIDTA:**

EBIDTA for our Company has gone up from Rs. 8,788.67 Lacs for the FY 2008 to Rs. 11,870.20 Lacs for the FY 2009 showing an increase of 35.06% compared to FY 2008. EBIDTA as a percentage of total income stood at 9.81% for FY 2009 as compared to



12.68% for the FY 2008. This decrease can mainly be attributable to the increase in total expenditure as a percentage of total income from 87.32% for the FY 2008 to 90.19% for the FY 2009 and also due to lower margins in trading business.

**Interest:**

Interest Expense for our Company has gone up from Rs. 2,209.03 Lacs for the FY 2008 to Rs. 4,559.88 Lacs for the FY 2009. The increase is mainly on account of increased amount of working capital limits utilized during the year. The working capital loan which stood at Rs. 13,756.52 Lacs at the end of FY 2008 went upto Rs. 24,224.11 Lacs as at the end of FY 2009. The increase in requirement of working capital was necessitated on account of increase in production and turnover.

**Depreciation:**

Depreciation Expense for our Company has gone up from Rs. 486.53 Lacs for the FY 2008 to Rs. 539.34 Lacs for the FY 2009 showing an increase of 10.85%. This increase can mainly be attributable to the increase in our asset base as compared to FY 2008. The increase in asset base is due to purchase and installation of machineries construction of new buildings. During FY 2009, our production capacities were expanded by 6.45% as compared to FY 2008.

**PAT:**

Our Net profit after tax had increased from Rs. 3824.89 Lacs for the FY 2008 to Rs. 4,146.05 Lacs for the FY 2009. Net profit as a percentage of total income stood at 3.43% for FY 2009 as compared to 5.52% for the FY 2008. This decrease can mainly be attributable to the increase in raw material costs and due to lower margins in trading business.

***Comparison of FY 2008 with 2007***

**Total Income**

The turnover of our Company has gone up from Rs. 39,269.77 Lacs for the FY 2007 to Rs. 65,802.30 Lacs for the FY 2008 showing a growth of 67.56%. Our Company has expanded its capacities during the year from an installed capacity of 79.20 million meters per annum to 108.50 million meters per annum. The capacity utilization of our company for the FY 2008 stood at 90.57% of the installed capacity. We are focusing on maximum utilization of processing capacities for own products. As a result of the same, the value of work processed for outside parties has gone down to 4.65% for FY 2008 from 6.03% of the total sales for the FY 2007.

Total Income for the FY 2008 was Rs. 69,312.97 Lacs as against Total Income of Rs. 41,421.45 Lacs during the previous FY 2007. The contribution of Other Income to our Total Income has been negligible which stood at 0.84% of the total income in FY 2008 as against 0.69% of the total income in FY 2007. Other income primarily comprises of miscellaneous income. Our Company receives Export Incentives under EXIM policy, which is reflected in other income.

**Raw Material Consumed:**

Raw material consumed has gone up from Rs. 32,183.96 Lacs for the FY 2007 to Rs. 53,914.10 Lacs for the FY 2008 showing an increase of 67.52%. The increase in consumption is mainly on account of increase in turnover of our Company (67.56%). Raw material cost as a percentage to total income constituted 77.78% for the FY 2008 as compared to 77.70% for the FY 2007. The production has gone up from 68.36 million meter for the FY 2007 to 98.27 million meter for the FY 2008. Our company has been successful in reducing the wastage of raw material. The same can be witnessed from the improved input - output ratio for grey cloth of 96.82% for FY 2008 as compared to 94.17% for the FY 2007.

**Staff Cost:**

Staff cost for the FY 2008 stood at Rs. 371.22 Lacs as compared to Rs. 269.67 Lacs for the FY 2007 showing an increase of 37.66%. Our Company has increased employee force from 61 as at end of FY 2007 to 98 as at the end of FY 2008 on account of increased production capacities. Staff cost as % of total income stood at 0.65 % for the FY 2007 as compared to 0.54% for the FY 2008. Skilled labour is very essential for our industry hence our Company is committed towards retention and development of its staff. Our endeavor has helped us retain maximum staff with only two employees leaving us in FY 2007 and only one employee leaving us in FY 2008.

**Other Manufacturing Expenses:**

Other Manufacturing Expenses has gone up from Rs. 3,427.40 Lacs for the FY 2007 to Rs. 5,539.50 Lacs for the FY 2008 showing an increase of 61.62%. The same is in line with increased turnover of 67.56% in FY 2008. Other Manufacturing Expenses stood at 7.99% of the Total Income for FY 2008 as compared to 8.27% for the FY 2007.

**Administrative Expenses:**

Administrative Expenses has gone up from Rs. 289.29 Lacs for the FY 2007 to Rs. 297.34 Lacs for the FY 2008 showing an increase of 2.78%. Administrative Expenses stood at 0.43% of the Total Income for FY 2008 as compared to 0.70% for the FY 2007.

**Selling and Distribution Expenses:**

Selling and Distribution Expenses has gone up from Rs. 389.91 Lacs for the FY 2007 to Rs. 402.14 Lacs for the FY 2008 showing an increase of 3.14%. Selling and Distribution Expenses stood at 0.58% of the Total Income for FY 2008 as compared to 0.94% for the FY 2007.

**EBIDTA:**

EBIDTA for our Company has gone up from Rs. 4,861.22 Lacs for the FY 2007 to Rs. 8,788.67 Lacs for the FY 2008 showing an increase of 80.79% compared to FY 2007. EBIDTA as a percentage of total income stood at 11.74% for FY 2007 as compared to 12.68% for the FY 2008. The jump in EBIDTA is mainly on account of reduction in total expenditure as a percentage of total income from 88.26% for the FY 2007 to 87.32% for the FY 2008. Economies of scale on account of increased production capacities, reduction on account of work outsourced and overall control over administrative and selling cost has lead to increase in EBIDTA margins.

**Interest:**

Interest Expense for our Company has gone up from Rs. 970.31 Lacs for the FY 2007 to Rs. 2,209.03 Lacs for the FY 2008. The increase is mainly on account of increase amount of working capital limits utilized during the year. The working capital loan which stood at Rs. 7,152.92 Lacs as at the end of FY 2007 went upto Rs. 13,756.52 Lacs as at the end of FY 2008. More working capital was necessitated on account of increase in production facilities and turnover.

**Depreciation:**

Depreciation Expense for our Company has gone up from Rs. 429.83 Lacs for the FY 2007 to Rs. 486.53 Lacs for the FY 2008 showing an increase of 13.19%. The increase is mainly on account of increase in our asset base as compared to FY 2007. During FY 2008, our production capacities were expanded by 36.99% as compared to FY 2007. Addition to the tune of Rs. 804.89 Lacs was made to the gross block of asset during FY 2008.

**PAT:**

Our Net profit after tax had increased from Rs. 2,175.09 Lacs for the FY 2007 to Rs. 3,824.89 Lacs for the FY 2008. Net profit as a percentage of total income stood at 5.25% for FY 2007 as compared to 5.52% for the FY 2008 on the back of higher sales realization, change in product composition and economies of scale.

**FACTORS THAT MAY AFFECT THE RESULTS OF THE OPERATIONS:****1. Unusual or infrequent events or transactions.**

There have been no unusual or infrequent transactions that have taken place.

**2. Significant economic changes that materially affected or are likely to affect income from continuing operations.**

Government's focus on the textile sector will have a major bearing on the companies involved in this industry. Accordingly, any major changes in the policies of the Government may have an impact on our operations  
Except the above, there are no significant economic changes that may materially affect or likely to affect income from continuing operations.

**3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.**

Other than described in the chapters titled "*Risk Factors*" and "*Management Discussion and Analysis of Financial Condition and Result of Operations as reflected in the Financial Statements*" beginning on page 12 and 181, respectively of the Red Herring Prospectus, there are to our knowledge no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations

**4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.**

Our Company's future costs and revenues will be determined by demand/supply situation, government policies.



**5. Extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.**

The increase in net sales or revenue is mainly on account of increase in volume and general increase in sales price in the normal course of business. No new products or services were introduced during the period except in the ordinary course of business.

**6. Total turnover of each major industry segment in which the issuer company operated.**

Please refer chapter titled “*Industry Overview*” beginning on page 84 of the Red Herring Prospectus

**7. Status of any publicly announced new products or business segment.**

Our Company has not announced any new product and segment except in the ordinary course of our business.

**8. The extent to which business is seasonal.**

Our Company’s business is not seasonal in nature.

**9. Any significant dependence on a single or few suppliers or customers.**

The % contribution of our Company’s customers is given below:

**Customers’ contribution:**

(Rs. in Lacs)

<b>Particulars</b>	<b>2008-09</b>
Top 5 Clients (Revenues)	26,762.41
Top 5 Clients (Revenues %)	22.11
Top 10 Clients (Revenues)	46,262.96
Top 10 Clients (Revenues %)	38.23

**10. Competitive conditions.**

Please refer chapters titled “*Industry Overview*” and “*Business Overview*” beginning on page 84 & 92 respectively of the Red Herring Prospectus for details on competitive conditions.



## RESTRICTIVE COVENANTS IN LOAN AGREEMENTS

Our agreements with banks in relation to financial facilities sanctioned by them have restrictive covenants. A summary of certain significant restrictive covenants is as follows:

1. Our Company shall not sell, release, compound or dispose off any of the hypothecated articles without the express consent in writing of the bank, except for such sales as required in the ordinary course of its business, but our company on such sale or on every such sales or on receipt of the documents or sale proceeds of such sale, deliver the documents or pay the net proceeds to the bank towards reduction of the balance then due and owing on the account, provided that our Company shall not be entitled to sell or dispose off or remove any of the hypothecated articles even in the ordinary course of business at a price lower than the cost prices of any item thereof.
2. Our Company shall not deal with any other bank, institution without the prior written consent of the bank and it shall not make any loan or give any financial guarantee / other guarantees or provide any security of the assets of our company to any other company or any other person without the written permission of the bank.
3. Our Company shall not do or perform the following acts, deeds or things without the written consent of the bank:
  - Undertake expansion / modernization / diversification / programme / new line of business or manufacture other than incurring routine capital expenditure.
  - Undertake any trading activity other than the sale of the products arising out of its own manufacturing obligations.
  - Invest any funds by way of deposits or loan or in share capital of any other concern (including subsidiaries) so long as money is due to the bank. Our company will, however, be free to deposit funds by way of security, with third parties, in normal course of business.
  - Change or alter in any manner its capital structure
  - Revalue its fixed assets
  - Change the accounting policies in regard to stock valuation, depreciation of fixed assets, payment of dividends, etc.
  - Effect any scheme of amalgamation / reconstruction.
  - Declare dividend or distribute profits if any instalment of principal and/or in arrears for a period of three months or more.
  - Withdraw or allow to be withdrawn any monies brought in as loans, deposits, capital, etc by , principal shareholders, depositors, other associate firms, group companies, directors, partners, relatives and friends of proprietors / partners / promoters or directors
  - Enter into any hire purchase or lease arrangement during the currency of the loan
  - Undertake guarantee obligations on behalf of any partner / director / proprietor / third party.
  - Undertake any guarantee obligations on behalf of Company including group concerns
  - Permit withdrawal of profit over and above the percentage indicated in the funds flow statement for a year; in any case, such withdrawal shall not be made except out of profits relating to that year after making all due and necessary provisions and provided further that no default has occurred in any term repayment obligations and that our Company is able to maintain adequate working capital margin ;
  - Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc
  - Withdraw / repay any money in the form of unsecured loans/ deposits/ secured loans from promoters, directors/ partners/ friends/ relatives during the currency of the banks loans and without prior written approval of the bank. Unsecured Loans/ Deposit should be interest free;
  - Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution banks, company, firm or persons;
  - Enter into any contractual obligation of long term or affecting our Company financially to a significant extent.
4. Our Company shall not without the bank's prior permission in writing make any changes in the management including key-personnel such as chief operating officer, managing director, whole-time directors, executive directors, finance director, technical director, etc.
5. Our Company shall not without the bank's prior permission in writing make any changes in the memorandum / articles of association, partnership deed and in general our constitution.



6. Our Company shall not declare dividend to the equity shareholders in excess of 15% or the average of the dividend paid in the three preceding years, whichever is higher, without the approval of the lead bank, which may be given conditionally.
7. Our Company shall undertake that any arrangement for the sale of its products and purchase of raw materials and inputs shall be subject to prior approval of the lead bank.
8. Our Company shall not enter into any fresh agreement for the appointment of sole selling agents/sole purchasing agents without the prior approval of the lead bank.
9. The facilities shall be drawn in phases as may be agreed upon between the parties hereto and our Company expressly agrees and undertakes that all the facilities or any of them shall be utilised exclusively for the purposes set forth in our Company's proposals and for no other purposes and changes shall be made therein without the written sanction of the bank.
10. Our company shall not compound or release any of the book debts nor do anything whereby the recovery of the same may be impeded, delayed or prevented without the consent in writing of the banks.
11. Acquisition of fixed assets on lease basis should be made only with the prior approval of the bank.
12. Enter into borrowing arrangement in either secured or unsecured with any other bank, financial institution, our company or otherwise or accept deposit apart from the arrangement indicated in the fund flow statement submitted to the bank from time to time and approved by the bank,
13. Our Company agrees not to permit, except with bank's previous consent, any amendment to or cancellation of letters of credit, and/or firm contracts of sale with the buyers which have been deposited with the bank.
14. Change if any in the constitution of our Company viz. reconstitution of partnership firm or conversion of private limited company into a public company or changes in constitution / directors proposals of merger / takeover etc should be advised immediately to the bank in writing. The bank has the sole discretion to accept / recognize such reconstitution / conversion / changes, the bank will have the right to recall the entire loans, in addition to the right to withdraw the undrawn limits.
15. The liabilities or obligations under the facilities shall not, at any time, rank postponed in point and security to any other obligation or liabilities to other lending institutions or banks or creditors, unless expressly agreed or permitted by bank
16. Our company should undertake not to acquire or sell any fixed assets during currency of bank's advance without prior written consent of the bank.
17. All secured loans/deposits raised by our Company for financing a project are always subordinate to the loans of the banks/financial institutions and should be permitted to be repaid only with the prior approval of the banks and the financial institution concerned.

**Certain loans in respect of which satisfaction of charge is pending:**

Our Company had availed of certain financial facilities from various banks which have been either repaid or for which fresh charge created as on date of the Red Herring Prospectus. The procedure relating to satisfaction of following charges is pending as our Company has applied to the various banks for their no due certificates.

*(Rs. in lacs)*

Sr. No	Name of the Bank	Date of Application	Sanctioned Amount
1.	Canara Bank	August 18, 2008 & February 20, 2010	1,479.00
2.	Indian Overseas Bank	August 18, 2008 & February 13, 2010 & February 20, 2010	986.00
3.	Indian Overseas Bank	August 18, 2008 & February 13, 2010	900.00
4.	Indian Overseas Bank	February 13, 2010	19,800.50
5.	Union Bank of India	February 20, 2010	500.00
6.	Allahbad Bank	February 20, 2010	2000.00





<b>Sr. No</b>	<b>Name of the Bank</b>	<b>Date of Application</b>	<b>Sanctioned Amount</b>
7.	Laxmi Vilas Bank	February 20, 2010	4000.00
8.	Canara Bank	February 20, 2010	4000.00
9.	Canara Bank	February 20, 2010	1000.00
10.	State Bank of India	February 20, 2010	681.00
11.	Indian Overseas Bank	February 20, 2010	2400.00
12.	Indian Overseas Bank	February 20, 2010	2500.00
<b>TOTAL</b>			<b>40,246.50</b>

In aforesaid to the aforesaid and other applicable terms, we have received the following No Objection Certificates (NOCs) from our lenders for this Issue:

<b>Sr. No.</b>	<b>Name of the Lender</b>	<b>Date of the NOC</b>
1.	Bank of India	February 11, 2010
2.	Indian Overseas Bank	February 11, 2010
3.	Union Bank of India	February 11, 2010
4.	Karur Vysya Bank	September 02, 2008
5.	Canara Bank	February 11, 2010
6.	Dena Bank	September 23, 2008
7.	Allahabad Bank	September 06, 2008
8.	State Bank of India	February 11, 2010
9.	Standard Chartered Bank	February 11, 2010
10.	Laxmi Villas Bank	February 25, 2010



## SECTION – VII

### LEGAL AND OTHER INFORMATION

#### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below, there are no outstanding litigations suits, civil or criminal prosecuting or proceedings against our Company, our Directors, our Promoters and our Entities Promoted by our Promoters before any judicial, quasi-judicial, arbitral or administrative tribunals or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/civil/ any other offences (including past cases where penalties may or may not have been imposed and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Directors, our Promoters and the Entities Promoted by our Promoters, except the following:

This chapter has been divided into six parts:

- I. Contingent Liability
- II. Litigation involving our Company
- III. Litigation involving our Directors and Promoters
- IV. Litigation involving Entities Promoted by our Promoters
- V. Penalties imposed in past cases for the last five years
  - a) Our Company
  - b) Our Directors and Promoters
  - c) Entities Promoted by our Promoters
- VI. Amounts owed to small scale undertakings

#### I. Contingent Liability of our Company

As on March 31, 2009 and December 31, 2009, contingent liabilities not provided for were as follows:

Particulars	<i>(Rs. In Lacs)</i>	
	As on December 31, 2009	As on March 31, 2009
Export obligation pending against advance license	23.49	22.33
Bank Guarantee	17.41	42.41
Export obligation against purchase of capital assets under EPCG license.	Nil	33.38
<b>Total</b>	<b>40.90</b>	<b>98.12</b>

#### II. Litigation involving our Company

##### A. Cases filed by our Company

NIL

##### B. Cases filed against our Company

###### *Civil Cases*

**Special Judicial Civil Suit No.220/2003 (said “Suit”) filed by Essbee Fabrics Private Limited (“Plaintiff”) against Co-op. Bank of Ahmedabad (now known as Cosmos Co-operative Bank Limited) (“Defendant No.2”) and our Company (“Defendant No.1”) before the Civil Judge (C.D.) of Ahmedabad (Rural) at Ahmedabad (“Trial Court”).**

The abovementioned suit is filed by Essbee Fabrics Private Limited against the Defendant No.1 and Defendant No.2 *inter alia* for the alleged unauthorised sale by the Defendant No.2 to Defendant No.1 of land bearing block nos 104, 105A and 105 B, situated at Village-Chancharwadi, District Ahmedabad and the super structures standing thereon (“the said Property”). The Plaintiff also filed a stay application before the Trial Court *inter alia* praying that during the pendency of the said Suit as mentioned above an injunction be granted to Defendant No.2 and its officers, directors, staff, workers, labourer or any agents of Defendant No.2 restraining them



from utilizing, selling, transferring, renting or creating a charge on the said Property. Further *vide* ex parte order dated August 26, 2003 Trial Court granted ad-interim injunction to Defendant No.2 restraining Defendant No.2 from transferring, alienating, selling, assigning, mortgaging and using the said Property till final disposal of the Suit. Thereafter, Defendant No.1 and Defendant No.2 filed a written statement against the abovementioned suit and the stay application denying the contents of the Suit and praying for the dismissal of the Suit filed and the stay application. Thereafter a contempt petition was filed by the Plaintiff before the Trial Court against Defendant no. 1 for alleged non compliance of ex parte ad interim order dated August 27, 2003 as passed by the Trial Court. Further, a writ petition bearing no. Special Civil Application No. 15438 of 2003 was filed by Defendant No.1 before the High Court of Gujarat *inter alia* praying for stay of the operation and implementation of order dated August 26, 2003 passed by the Trial Court and permit Defendant No.1 to utilize and carry on its commercial activities on the said Property. *Vide* order dated November 07, 2003 the High Court of Gujarat disposed off the writ petition directing the Trial Court to decide the injunction application at the earliest. Thereafter, the Trial Court *vide* order dated December 15, 2003 confirmed the order dated August 26, 2003 as mentioned above.

Further Appeal no. 468/2003 was filed by Defendant No.1 in the High Court of Gujarat against the said ad-interim injunction December 15, 2003. *Vide* order dated January 15, 2004, the High Court of Gujarat suspended the ad-interim injunction passed by the Trial Court and directed that Defendant No.1 will not transfer, alienate, encumber, create any third party right on the said Property. However, Defendant No.1 could utilize the said Property for regular business of manufacturing till final disposal of the Suit. Further, *vide* order dated March 31, 2009, the Trial Court declared that all the acts of retaining the possession of the said Property, carrying out its usage etc, and executing the sale deeds dated July 22, 2003 (executed by the Bank in favour of Defendant No.1 with respect to the said Property) are illegal, unauthorized, fraudulent and malafide and granted permanent injunction preventing any restraint of the use and utilization of the said Property by Defendant No.2. Later the decree was drawn in relation to the order dated March 31, 2009. Further *vide* order dated April 29, 2009 the Trial Court granted a stay on the execution of the order dated March 31, 2009. On June 22, 2009 the order dated April 29, 2009 was further extended till further orders. Thereafter our Company filed an appeal against the abovementioned order which is currently pending admission before the High court of Gujarat. Also a civil application was filed by the Plaintiff before the High Court of Gujarat *inter alia* disputing the value of the said Property, and for producing further evidence and the same is pending admission. The matter is pending before the High Court of Gujarat.

**Civil Suit No.265/2003 filed by Essbee Fabrics Private Limited against Cosmos Co-operative Bank and our Company before the Civil Judge (C.D.) of Ahmedabad at Ahmedabad (“Trial Court”).**

The abovementioned suit is filed by Essbee Fabrics Private Limited (“EFPL”) against Cosmos Bank and our Company *inter alia* for alleged payment of Rs. 821.88 lacs towards damages to compensate for losses sustained because of EFPLs inability to use the land bearing block nos 104, 105A and 105 B, situated at Village-Chancharwadi, District Ahmedabad and the super structures standing thereon (“the said property”), and for the unauthorized and illegal usage of the said property. The said property was in the possession of our Company *vide* order of the High Court of Gujarat dated January 15, 2004. Further our Company filed a written statement denying the contents of the said Suit. Thereafter an application was filed by our Company before the Civil Judge, Ahmedabad under Order 7, Rule -11(D) of the Civil Procedure Code praying dismissal of the said Suit as the same is a clear obstacle under Order –II Rule 2 of the Code of Civil procedure. The matter is currently pending before the Trial Court.

***Income Tax Cases***

**Assessment Year 2006-07**

An appeal has been filed by Deputy Commissioner of Income Tax, Circle 05, Ahmadabad (“Appellant”), before the Income Tax Appellate Tribunal, Ahmadabad (“ITAT”) against the order dated May 15, 2009 issued by the Commissioner of Income Tax (Appeals) – XI, Ahmadabad. The said appeal was filed on the grounds that while passing the order dated May 15, 2009 as mentioned above the Commissioner of Income Tax (A) has erred in law and on facts in deleting the addition made under section 69 of Rs 25,00,000/- on the account of unexplained income towards increase in share capital. The said appeal is pending before ITAT.

***Potential Litigation***

**Letter bearing No. ROC/TS/04-46345/2009/9767 dated August 26, 2009 issued to our Company by the Office of Registrar of Companies, Gujarat, Ahmedabad.**

The abovementioned letter was issued to our Company by the Registrar of Companies (Gujarat), Ahmedabad directing our Company to furnish clarification under section 234 (1) of the Companies Act, 1956 with regards to the balance sheet for March 31, 2008. Our Company *vide* letter dated September 15, 2009 requested Registrar of Companies (Gujarat), Ahmedabad for an extension of time for replying the abovementioned and later *vide* letter dated September 27, 2009 our Company replied to the abovementioned



letter. Thereafter, letter bearing No. ROC/TS/04-46345/2009 dated September 30, 2009 was issued by the Registrar of Companies (Gujarat), Ahmedabad to our Company, Mr.Kaushik Kapadia and Mr. Vishal Karia under section 234(3A) of the Companies Act, 1956 directing the Company to produce relevant books and papers as called for *vide* letter dated August 26, 2009. Our Company *vide* letter dated October 8, 2009, replied to the said letter confirming that the information under Section 234 has already been submitted. There has been no communication thereafter. The same may give rise to a prospective litigation.

### **III. Litigation involving Our Directors and Promoters**

#### **A. Cases filed by our Directors and Promoters**

NIL

#### **B. Cases filed against our Directors and Promoters**

##### **Mr. Vishal Karia**

For information relating to the litigations against Mr.Vishal Karia please refer to the details as mentioned above under paragraph titled “*Potential Litigation*” under the head “*Cases filed against our Company*” beginning on page 193 of the Red Herring Prospectus.

### **IV. Litigation involving Entities Promoted by our Promoters**

#### **1) M/s. Anu Impex**

##### **A. Cases filed by M/s. Anu Impex**

NIL

##### **B. Case filed against M/s. Anu Impex**

NIL

#### **2) Pradip Energy Limited**

##### **A. Cases filed by Pradip Energy Limited**

NIL

##### **B. Case filed against Pradip Energy Limited**

NIL

#### **3) M/s. Pradip Exports**

##### **A. Cases filed by M/s. Pradip Exports**

#### ***Income Tax***

##### **i. Assessment Year 2004-2005**

An appeal has been filed by M/s. Pradip Exports before the Income Tax Appellate Tribunal, Ahmedabad (“ITAT”) against:

- (i) Disallowance of deduction amount of Rs. 29,84,344/-, which was on account of profit on sale of DEPB entitlement being included in export turnover for the calculation of deduction under section 80 HHC of the IT Act; and
- (ii) Imposition of interest under the provisions of Sections 234B and 234C of the IT Act and initiation of penalty proceedings under Sections 271(1)(c) of the IT Act;



The aforesaid being imposed *vide* Assessment Order dated November 21, 2006 and confirmed on appeal by the order of the Commissioner of Income Tax (Appeals) dated March 12, 2008. The said appeal is pending before ITAT.

**ii. Assessment Year 2003-2004**

*Vide* order dated June 08, 2007, the ITAT set aside the orders of the Assessing Officer dated March 30, 2006 and the Commissioner of Income Tax (Appeals) dated November 16, 2006 for the aforesaid Assessment Year, to the extent that they disallowed the profit on sale of DEPB entitlement as a deduction under the provisions of Section 80HHC of the IT Act, and hence remitted the matter back to the Assessing Officer for deciding the matter afresh. The amount of deduction claimed by the assessee, which had been disallowed, was Rs. 78,38,352/-. Further after the fresh assessment the Assessing Officer *vide* order dated December 21, 2009 held that Pradip Exports is not entitled for deduction u/s 80HHC of the Income Tax Act, 1961 on DEPB income and total income assessed as per order under section 143 (3) of the Income tax Act, 1961 is Rs. 93,30,390. Thereafter our Company filed an appeal before the Commissioner of Income Tax (appeals), Ahmedabad against the order dated December 21, 2009 as stated above. The said appeal is pending before the Commissioner of Income Tax (appeals), Ahmedabad.

Further, M/s. Pradip Exports has filed a Miscellaneous Application with ITAT for restoring the Appeal made against the order of Commissioner of Income Tax (Appeals) dated November 16, 2006. M/s. Pradip Exports has alleged that ITAT *vide* its order dated June 08, 2007 failed to decide on four grounds of the Appeal pertaining to addition of Rs. 13,60,720 as gross profit. Further *vide* order dated January 22, 2010 the appeal was partly allowed to the extent of Rs. 4,33,627 and ITAT also confirmed the addition as confirmed by Commissioner of Income Tax (Appeals) *vide* order dated November 16, 2006 to the extent that it disallowed the profit on sale of DEPB entitlement as a deduction under the provisions of Section 80HHC of the IT Act

**iii. Assessment Year 2003-2004**

An appeal has been filed by M/s. Pradip Exports before the Deputy Commissioner (Appeals) of Income Tax and Commissioner of Income Tax (Appeals), Ahmedabad against the order of Deputy Commissioner of Income Tax for the Assessment Year 2003-2004, dated March 31, 2008 wherein, a penalty of Rs.5,00,065/- was imposed on M/s. Pradip Exports under Section 271 (1) (c) of the IT Act for concealment of income. Further *vide* order dated August 21, 2009 the Commissioner of Income Tax (Appeals)- XVI, Ahmedabad partly allowed the appeal and accordingly the Deputy Commissioner of Income Tax, Circle 10, Ahmedabad *vide* order dated October 14, 2009 reduced the penalty to Rs. 3,40,305.

**B. Case filed against M/s. Pradip Exports**

NIL

**V. Penalties imposed in past cases in the last five years**

**a) Our Company**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/ payable and reasons therefore)
1.	Rs. 2,300	Penalty of Rs. 2,300 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2008-2009 under the provisions of Gujarat VAT Act, 2003.	Paid
2.	Rs. 3,800	Penalty of Rs. 3,800 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2007-2008 under the provisions of Gujarat VAT Act, 2003.	Paid
3.	Rs.9,850	Penalty of Rs.9,850 imposed by the Brihanmumbai Municipal Corporation towards octroi for not exporting goods within the period specified under the Exemption of Octroi (Immediate Exportation) Rules, 1965 on the goods imported for immediate exportation levied in the Assessment Year 2008-9..	Paid
4.	Rs. 1,600	Penalty of Rs. 1,600 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2009-2010 under the provisions of Gujarat VAT Act, 2003.	Paid
5.	Rs. 600	Penalty of Rs. 600 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2010-2011 under the provisions of Gujarat	Paid



Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/ payable and reasons therefore)
		VAT Act, 2003.	
6.	Rs. 1,000	Penalty of Rs. 1,000 imposed by the Service Tax Department, Gujarat for late filing of half yearly returns for the Assessment Year 2009-2010 under the provisions of Service Tax Rules, 1994.	Paid
7.	Rs. 1,800	Penalty of Rs. 1,800 imposed by Government labour Officer and Inspector under Minimum Wages Act 1948 and Gujarat Minimum Wages Rules, 1961 levied in the Financial Year 2009-10.	Paid

**b) Our Directors and Promoters**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/ payable and reasons therefore)
1.	Rs. 1,800	Penalty of Rs. 1,800 imposed by Government labour Officer and Inspector under Minimum Wages Act 1948 and Gujarat Minimum Wages Rules, 1961 levied in the Financial Year 2009-10..	Paid

**c) Other Entities Promoted by Promoters**

**(i) Pradip Enterprises Limited**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/ payable and reasons therefore)
1.	Rs. 1,800	Penalty of Rs. 1,800 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2006-2007, under the provisions of Gujarat VAT Act, 2003.	Paid

**(ii) M/s. Pradip Exports**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/ payable and reasons therefore)
1.	Rs. 1,261	Penalty of Rs. 1,261 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2004-2005, under the provisions of Sales Tax Act, 1969.	Paid
2.	Rs. 800	Penalty of Rs. 800 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2005-2006, under the provisions of Sales Tax Act, 1969.	Paid
3.	Rs. 1,600	Penalty of Rs. 1,600 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2006-2007, under the provisions of Sales Tax Act, 1969.	Paid

**(iii) M/s. Anu Impex**

Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/ payable and reasons therefore)
1.	Rs. 4,375	Penalty of Rs. 4,375 imposed by the Employee State Insurance Corporation, for late payment of Employee State Insurance Contribution for the Assessment Year 2003-2004, under the provisions of the Employee State	Paid



Sr. No.	Amount of penalty imposed	Brief particulars regarding penalty	Remarks (paid/payable and reasons therefore)
		Insurance Act, 1948.	
2.	Rs. 2,719	Penalty of Rs. 2,719 imposed by the Employee State Insurance Corporation, for late payment of the Employee State Insurance Contribution for the Assessment Year 2004-2005, under the provisions of the Employee State Insurance Act, 1948.	Paid
3.	Rs. 2,053	Penalty of Rs. 2,053 imposed by the Employee State Insurance Corporation, for late payment of the Employee State Insurance Contribution for the Assessment Year 2005-2006, under the provisions of the Employee State Insurance Act, 1948.	Paid
4.	Rs. 7,000	Penalty of Rs. 7000 imposed by the Sales Tax Department, Gujarat for late filing of monthly returns for the Assessment Year 2006-2007 under the provisions of Gujarat VAT Act, 2003.	Paid
5.	Rs. 67,720	Penalty of Rs. 67,720 imposed for the Assessment year 1998-1999, under section 271 (1) (c) of the Income Tax Act, 1961 for concealment of income.	Paid

#### VI. Amounts Owed to Small Scale Undertakings

#### VII. Outstanding due to Small Scale Industries

Sundry Creditors as on December 31, 2009 includes Rs 160.89 Lacs payable to small scale industrial undertakings. The name of small scale industrial undertakings with which our Company has outstanding for more than 30 days and greater than 1 Lac are:

Bajaj Colur-Chem, Shah Mehta Chem Industries, Abhishek Chemicals, Abhishek Dye Chem, Aeon Chemicals, Ambe Dye Chem Private Limited, Amit Polychrome Private Limited, Anand Salt, Ashok Dye Chem, Bhagwati Dye & Chemical Industries, Electron Colour Chem Private Limited, Jitendra Dye Chem, Kali Dye Chem Private Limited, Radha Krishna Pigments Private Limited, Ashi Dye Chem, Anushree Industries and Saaras Industries.

#### VIII. Material developments occurring after the last Balance Sheet Date, that is, Decemeber 31, 2009:

1. We have acquired land for our Project and our Proposed Textile SEZ, as per details mentioned in the chapter titled “*Business Overview*” beginning on page 92 of the Red Herring Prospectus.



## GOVERNMENT AND OTHER STATUTORY APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the Government and various Government agencies required for our present business and carrying on our business activities. Further, except as mentioned hereinbelow, our Company has not yet applied for any licenses, consents, permissions and approvals for the proposed activities as contained in the chapter titled “*Objects of the Issue*” beginning on page 57 of the Red Herring Prospectus. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

### I. GENERAL

1. Certificate of Incorporation issued to our Company, bearing the name “Chetan Textiles Private Limited” dated June 29, 2005 bearing with CIN U17100GJ2005PTC46345 issued by Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
2. Fresh Certificate of Incorporation issued pursuant to the change of name from “Chetan Textiles Private Limited” to “Chetan Textiles Limited” dated August 09, 2006 with CIN U17100GJ2005PLC046345 issued by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
3. Fresh Certificate of Incorporation issued pursuant to the change of name from “Chetan Textiles Limited” to “Pradip Overseas Limited” dated October 01, 2007 with CIN U17100GJ2005PLC046345 issued by the Assistant Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
4. Registration Certificate of Establishment under Bombay Shops and Establishments Act, 1948 dated July 11, 2008, for our Registered Office bearing registration no. PII/EL/13/0000609 issued by the Deputy Municipal Commissioner, Ahmedabad Municipal Corporation, valid upto December 31, 2013.
5. Our Company’s PAN (Permanent Account Number) under the IT Act is AACCC6293J.
6. Our Company’s TAN (Tax Deduction Account Number) under the IT Act is AHMC02042F.
7. Our Company’s STC i.e. Service Tax payer Code under Service Tax (Registration of Special Category of Persons) Rules, 2005 is AACCC6293JST001.
8. Establishment Code no. GJ/52296 issued by Regional Provident Fund Commissioner, Gujarat to our Company with effect from January 27, 2006 *vide* letter dated July 05, 2006 under provisions of Employees Provident Funds and Miscellaneous Provisions Act, 1952.
9. Our Company’s TIN (Taxpayers Identification Number) under the Central Sales Tax (Registration and Turnover) Rules, 1957 is 24574600994.
10. Our Company’s TIN (Taxpayers Identification Number) under the Gujarat Sales Tax Act, 1969 is 24074600994.
11. Central Excise Registration Certificate bearing Registration No. AACCC6293JXM001 dated November 21, 2007 issued to our Company under Rule 9 of the Central Excise Rules, 2002.
12. Importer Exporter Code bearing No. 0805006664 dated August 5, 2005 issued to our Company by Ministry of Commerce, Office of Joint Director General of Foreign Trade, Ahmedabad.

### II. UNIT- I, DIVISION-I, PLOT NO. 104 and 105, AT CHANGODAR

1. Certificate for the use of boiler bearing No. GT. 4918 dated December 02, 2009 issued under Section 7 and 8 of the Indian Boilers Act. No. V of 1923, by the Chief Inspector, Gujarat Boiler Inspection Department, valid till November 18, 2010.
2. Certificate for the use of boiler bearing No. GT. 3976 dated December 11, 2008 issued under Section 7 and 8 of the Indian Boilers Act. No. V of 1923, by the Chief Inspector, Gujarat Boiler Inspection Department, valid till November 18, 2010.





3. Agreement dated June 26, 2007 entered by and between our Company and Uttar Gujarat VIJ Company Limited for additional 275 KVA HT power supply to the existing power supply of 475 KVA HT resulting in 750 KVA HT for the Unit-I, Division-I located at Changodar.

### **QUALITY CERTIFICATIONS**

1. ISO 9001;2008 bearing No. QMS/ JAS-C1556/0114 dated February 02, 2010 issued to our Company by the Integrated Quality Certification Private Limited valid till February 01, 2013.
2. Authorisation dated June 22, 2009 valid upto June 30, 2010 granted by Hohenstein Textile Testing Institute Gmbh based on the test report no. 09.0.68507, to use Oeko-Tex Standard mark for woven fabrics made of 100% polyester, bleached, disperse dyed, disperse printed (commission dyeing and printing) only in conjunction with products that confirm with the sample initially tested.
3. Authorisation dated July 08, 2009 valid upto July 31, 2010 granted by Hohenstein Textile Testing Institute Gmbh based on the test report no. 09.0.67619, to use Oeko-Tex Standard mark for bed sets (made - ups) – woven fabrics made of 100% cotton, bleached, reactive dyed, reactive printed and pigment printed (inclusive sewing threads, buttons and zippers) only in conjunction with products that confirm with the sample initially tested..
4. Authorisation dated June 19, 2009 valid upto May 31, 2010, granted by Hohenstein Textile Testing Institute Gmbh based on the test report no. 09.0.67620 to use Oeko-Tex Standard mark for fabrics and bed sets (made-ups) made of 100% polyester, bleached, disperse dyed and disperse printed, (inclusive sewing threads, uttons and zippers) only in conjunction with products that confirm with the sample initially tested.

### **III. UNIT- I, DIVISION-II PLOT NO. 106, AT CHANGODAR**

1. Registration of Generating Set bearing No. 01-0031-001-00623 dated May 17, 2007 issued by Chief Auditor for Collector of Electricity Duty, Gandhinagar.
2. Agreement dated December 04, 2007 for additional 200 KVA HT from 750 KVA HT to 950 KVA HT power supply entered between our Company and Uttar Gujarat VIJ Company Limited to the Unit –I, Division-II located at Changodar.
3. Provisional Certificate no. A'bad/EX23-04-2006/11460 dated May 19, 2007 issued by Collector of Electricity Duty, Gandhinagar exempting our Company from payment of electricity duty under clause (vii) of sub-section (2) of section 3 of the Bombay Electricity Duty Act, 1958 valid till February 26, 2011.
4. License to use lift bearing No. G/CZ/07/07061/08 dated May 23, 2008 issued by Chief Inspector of Lifts and Escalators to our Company valid upto May 22, 2011.

### **IV. UNIT- I, DIVISION-I and II, PLOT NO. 104, 105 and 106, AT CHANGODAR**

1. Acknowledgement dated September 17, 2009 bearing no. 2344/SIA/IMO/2009 issued to Unit –I, Division I and II of our Company by Ministry of Commerce and Industry, Secretariat for Industrial Assistance, Public Relation and Complaints Section, New Delhi on submission of the Industrial Enterepreneur Memorandum.
2. Certificate no. A-2452 dated November 11, 2009, issued by Joint Director, General of Foreign Trade, according status of our Company as Export House, under the provisions of the Foreign Trade Policy, 2004-2009. The certificate is valid from April 01, 2009 to March 31, 2014.
3. License to work a factory bearing no. 363 dated October 23, 2009 issued by Joint Director, Industrial Saftey and Health, Gujarat in the name of our company valid up to December 31, 2010.
4. Letter bearing no. PC/CCA/ABD/GEN-390 (2)/27211 dated December 09, 2009 issued by Gujrat Pollution Control Board under the provisions of Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, Section 21 of the Air (Prevention and Control of Pollution) 1981 and Authorization under rule 5 (4) of the Hazardous Waste (Management, Handling



& T.M.) Rules, 2008 framed under the Environment (Protection) Act, 1986 to our Company for discharge of trade effluents and emission due to operation of industrial plant for the manufacture of the dyeing, printing, processing of cloth, valid till May 09, 2010.

5. Certificate bearing no. C807611OE-01.2009 dated April 08, 2009 issued by Control Union Certifications, Netherlands to our Company for OE100 standards of the Organic Exchange valid till June 07, 2010.
6. Registration No. Dy.Lab.Comm/AD/CLA/Reg/ZONE-4/21/2006 under Section 7 (2) of the Contract Labour (Regulation and Abolition) Act, 1970 dated August 02, 2006 issued to Unit –I, Division-II of our Company by Assistant labour Commissioner, Ahmedabad. Further *vide* Certificate dated September 09, 2009 issued by Additional Labour Commissioner, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 the number of contractors and labourers under our Contract labour License number 4/21/2006 was amended and the same was made applicable for Unit- I, Division-I and II, Plot no. 104, 105 and 106, at Changodar.

#### V. SPECIAL ECONOMIC ZONE RELATED APPROVALS

1. Letter of recommendation dated June 25, 2008 issued by The Government of Gujarat, to the Government of India in favour of our Company for the Proposed Textile SEZ.
2. Letter of Approval dated November 24, 2008 bearing no. F.1/267/2007-SEZ issued by Ministry of Commerce and Industry , Department of Commerce (SEZ Section) in favour of our Company for setting up of a sector specific Special Economic Zone for Textile at Village Bhamasra, Taluka Bawla, District Ahmedabad, Gujarat (that is, the Proposed Textile SEZ).
3. Eligibility certificate dated May 27, 2009 issued by Industries Commissioner and Member Secretary, Special Economic Zone Development Authority, Gandhinagar to avail stamp duty exemption under section 21 (3) of Gujarat Special Economic Zone Act, 2004.

#### VI. FOR OBJECTS OF THE ISSUE

1. Certificate NO. IC/INFRA/LAND/914/656 dated March 21, 2007 issued by Deputy Commissioner of Industries (Infra) accepting the application of our Company for purchase of 94.56.57 hectares land of various survey numbers at village Bhamasra for bona fide industrial purpose.

#### VII. ADVANCE LICENSE

Sr. No.	License No.	Importer Exporter Code No.	Date	CIF Value/Duty Saved (Rs.)	Export Obligation (sq. mt)	Import Items	Export Period
1.	0810057399/3/03/00	0800001249	June 19, 2006	12,27,072	1,29,416	Import of 1,30,710 Sq Mt of relevant polyester/ cotton blended fabrics	24 Months

The obligation of the above mentioned advance license has been partially fulfilled, that is 89,529.79 sq. mt made- ups made from polyester cotton blended fabrics have been exported, while 39886.21 sq. mt. are pending out of the total obligation. The period by which exports should have been effected was June 18, 2008, which has expired. As on date, the said obligation has not been fulfilled.

#### VIII. APPLICATIONS PENDING RENEWAL

##### A. UNIT- I, DIVISION –I, PLOT NO. 104 and 105, AT CHANGODAR

1. Application for renewal of License bearing no. A'bad Zone-4/84/2007 filed by contractor Ambaji Enterprise to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 40 contract labourers in Unit –I, Division – I of our Company.



2. Application for renewal of License bearing no. A'bad Zone4/90/2007 filed by contractor Ranjit Singh R. Masani to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 30 contract labourers in Unit –I, Division – I of our Company.
3. Application for renewal of License bearing no. A'bad Zone4/86/2007 filed by contractor Bharatkumar K. Patel to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 15 contract labourers in Unit –I, Division – I of our Company.
4. Application for renewal of License bearing no. A'bad Zone4/85/2007 filed by contractor Nandji Ganga Yadav to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 18 contract labourers in Unit –I, Division – I of our Company.
5. Application for renewal of License bearing no. A'bad Zone4/89/2007 filed by contractor Omprakash P. Sharma to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 20 contract labourers in Unit –I, Division – I of our Company.
6. Application for renewal of License bearing no. A'bad Zone4/87/2007 filed by contractor Shaileshkumar B. Tungariya to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 40 contract labourers in Unit –I, Division – I of our Company.
7. Application for renewal of License bearing no. A'bad Zone4/65/2008 filed by contractor Gokul Enterprise to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 25 contract labourers in Unit –I, Division – I of our Company.
8. Application for renewal of License bearing no. A'bad Zone4/64/2008 filed by contractor Purna Eterprise to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 25 contract labourers in Unit –I, Division – I of our Company.
9. Application for renewal of License bearing no. A'bad Zone4/91/2007 filed by contractor Mishra Ajer Works to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 15 contract labourers in Unit –I, Division – I of our Company.
10. Application for renewal of License bearing no. A'bad Zone4/92/2007 filed by contractor Ranchodbhai D. Makwana to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 16 contract labourers in Unit –I, Division – I of our Company.
11. Application for renewal of License bearing no. A'bad Zone4/62/2008 filed by contractor Pyarelal Yadav to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 7 contract labourers in Unit –I, Division – I of our Company.
12. Application for renewal of License bearing no. A'bad Zone4/63/2008 filed by contractor Lkhan Kamdar to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 16 contract labourers in Unit –I, Division – I of our Company.
13. Application for renewal of License bearing no. A'bad Zone4/88/2007 filed by contractor Prajapati Manojkumar Bhikhabhai to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 15 contract labourers in Unit –I, Division – I of our Company.

**B. UNIT- I, DIVISION-II, PLOT NO. 106, AT CHANGODAR**

1. Application dated January 12, 2010 made to the Chief Boiler Inspector, requesting for an open inspection and hydraulic test inspection with respect to renewal of the use of boiler bearing No. GT. 5137 issued under Section 7 and 8 of the Indian Boilers Act. No. V of 1923, by the Chief Inspector of Steam Boilers and Smoke Nuisance, Gujarat State.
2. Application dated November 26, 2009 made to Chief Deputy Electrical Inspector, Gandhinagar, for renewal of license to use lift bearing No. G/CZ/5844/06.



3. Application dated December 10, 2009 made to section officer, Energy and Petrochemicals Department, Gujarat for renewal of power exemption for our Plot no. 106.
4. Application for renewal of License bearing no. A'bad Zone-4/31/2008 filed by contractor Ashokkumar Chunilal Patel to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 40 contract labourers in Unit –I, Division – II of our Company.
5. Application for renewal of License bearing no. A'bad Zone-4/32/2008 filed by contractor Kanaiya D. Yadav to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 27 contract labourers in Unit –I, Division – II of our Company.
6. Application for renewal of License bearing no. A'bad Zone-4/33/2008 filed by contractor Balbirsingh Ramsingh Puniya to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 36 contract labourers in Unit –I, Division – II of our Company.
7. Application for renewal of License bearing no. A'bad Zone-4/34/2008 filed by contractor Anandkumar Yadav to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 16 contract labourers in Unit –I, Division – II of our Company.
8. Application for renewal of License bearing no. A'bad Zone-4/35/2008 filed by contractor Shri Gayatri Labour Contractor to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 16 contract labourers in Unit –I, Division – II of our Company.
9. Application for renewal of License bearing no. A'bad Zone-4/36/2008 filed by contractor Lakhansingh Janvedsingh to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 16 contract labourers in Unit –I, Division – II of our Company.
10. Application for renewal of License bearing no. A'bad Zone-4/37/2008 filed by contractor Shree Shakti Folding to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 40 contract labourers in Unit –I, Division – II of our Company.
11. Application for renewal of License bearing no. A'bad Zone-4/38/2008 filed by contractor Shree Ganesh Screen Printers to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 11, 2009 for appointing 16 contract labourers in Unit –I, Division – II of our Company.
12. Application for renewal of License bearing no. A'bad Zone-4/39/2008 filed by contractor Rameshkumar Mulchand Gurjar to Assistant Commissioner of Labour, Ahmedabad under the Contract Labour (Regulation and Abolition) Act, 1970 dated December 14, 2009 for appointing 16 contract labourers in Unit –I, Division – II of our Company.

**C. UNIT-I, DIVISION I and II, PLOT NO. 104,105 and 106, AT CHANGODAR**

1. Application dated February 19, 2010 submitted by our Company to the Assistant Labour Commissioner and Registering officer, Ahmedabad with respect to rectification to be carried out in the contract labour license bearing registration no. 4/21/2006.
2. Letter dated February 18, 2010 submitted by our Company to Control Union Certifications, Mumbai, with respect to the renewal of certificate bearing no. C807611GOTS-01.2009 dated March 04, 2009 issued by Control Union Certifications, Netherlands to our Company for Global Organic Textile Standard-GOTS for the processing of fibres from certified organic agriculture.

**D. FOR OBJECTS OF THE ISSUE**

1. Application dated November 05, 2007 made by our Company to Central Ground Water Board, Ahmedabad for permission to abstract groundwater for industrial use for our Project.

**IX. MATERIAL LICENSES/APPROVALS FOR WHICH WE ARE YET TO APPLY**



**A. PROJECT RELATED**

1. Application to be made to Factory Chief Inspector, Ahmedabad for license to run/ operate a Factory under Factories Act, 1948.
2. Application to be made to Chief Inspector, Gujrat Boiler Inspection Department for permission to use Boiler (s) under Indian Boilers Act, 1923.
3. Application for Consent to be made to Gujarat Pollution Control Board under Section 25 of the Water (Prevention and Control of Pollution) Act 1974, Section 21 of the Air (Prevention and Control of Pollution) 1981 and Authorization under rule 3 (c) and 5 (5) of the Hazardous Waste ( Management and Handling) Rules 1989 for the discharge of trade effluent and emission due to operation of industrial plant for manufacture.
4. Submission of IEM for SIA Registration.
5. Application to be made for Central Excise registration under Rule 9 of the Central Excise Rules, 2002.
6. Application to be made to Gujarat Electricity Board for power requirement.



## SECTION - VIII

### OTHER REGULATORY AND STATUTORY DISCLOSURES

#### **Authority for This Issue and details of the resolution passed for the Issue**

Our Board has, pursuant to a resolution passed at its meeting held on June 18, 2008, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted under Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on August 18, 2008.

Our Board of Directors have, pursuant to a resolution passed at their meeting held on February 27, 2010 approved the Red Herring Prospectus.

We have also obtained all necessary contractual approvals from lenders required for this Issue. For further details, please refer chapter titled “*Restrictive Covenants in Loan Agreements*” beginning on page 190 of the Red Herring Prospectus.

#### **Prohibition by SEBI**

Our Company, our Directors, our Promoters, other Entities Promoted by our Promoters and companies with which our Directors are associated as directors or promoters have not been prohibited from accessing in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

We have not applied for listing of our securities on any stock exchange in the past.

Further, our Promoters and Entities Promoted by our Promoters have confirmed that they have not been named as wilful defaulters by the RBI or any other government authority and there are no violations of securities laws committed by them in the past and no prosecution or other proceedings for any such alleged violation is pending against them.

#### **Eligibility for this Issue**

Our Company is an “Unlisted Company” in terms of the SEBI (ICDR) Regulations, 2009; and this Issue is an “Initial Public Offer” in terms of SEBI (ICDR) Regulations, 2009.

Our Company is eligible to make the Issue as per sub-clause (ii) of clause (a) and sub-clause (i) of clause (b) of sub-regulation (2) of Regulation 26 of the SEBI (ICDR) Regulations, 2009 as explained hereunder, and will fulfil the eligibility criteria as per sub-clause (ii) of clause (a) and sub-clause (i) of clause (b) of sub-regulation (2) of Regulation 26 of the SEBI (ICDR) Regulations, 2009, wherein:

- a) The “project” has at least 15% participation by financial institutions/scheduled commercial banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the Net Issue shall be Allotted to QIBs, failing which the full subscription monies shall be refunded.
- b) The minimum post-Issue face value capital of our Company shall be Rs. 1000 Lacs.
- c) Our “Project” has been appraised by Dena Bank and the “Project” is having about 32.52 % participation from financial institutions/scheduled commercial banks, of which 12.51% participation is from the appraiser i.e. Dena Bank by way of term loan.

Note: Project has been taken to include the setting up of the Proposed Manufacturing Facility and meeting margin money for incremental working capital requirements.

Further, our post-Issue capital shall be Rs. 40,36,67,700, assuming that 1,06,00,000 Equity Shares would be issued in the Issue.

We are eligible for this Issue as we satisfy sub-clause (i) of clause (b) of sub-regulation (2) of Regulation 26 of the SEBI (ICDR) Regulations, 2009 and as per sub-clause (ii) of clause (a) of sub-regulation (2) of Regulation 26 of the SEBI (ICDR) Regulations, 2009, the Project has more than 15% participation from scheduled commercial banks, of which the Appraiser (Dena Bank) is



participating for more than 10% and our Company shall ensure that atleast 10% of the Net Issue size is Allotted to QIBs failing which, the entire subscription monies shall be refunded.

Our Company undertakes that the number of Allottees in the proposed Issue shall be atleast 1,000, otherwise, we shall forthwith refund the entire subscription amount received. In case of delay, if any, in refund, we shall pay interest on the Bid Amount at the rate of 15% per annum for the period of delay.

#### **DISCLAIMER CLAUSE OF SEBI**

**AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ANAND RATHI ADVISORS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER, ANAND RATHI ADVISORS LIMITED, IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ANAND RATHI ADVISORS LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 16, 2010 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, CIVIL MATTERS, TAX MATTERS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
  - a) THE RED HERRING PROSPECTUS FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - b) ALL THE LEGAL REQUIREMENTS RELATED WITH THE SAID ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED / ISSUED BY SEBI, THE CENTRAL GOVERNMENT, AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - c) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**



3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITIES OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.-- NOTED FOR COMPLIANCE
5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.
6. WE CERTIFY THAT REGULATION 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE RED HERRING PROSPECTUS.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.





- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE RED HERRING PROSPECTUS:**
- (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY AND**
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**
- 13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- 14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

**THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.**

**Disclaimer from our Company and BRLM**

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company and the Book Running Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the Book Running Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Our Company, the Director and the BRLM accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the abovementioned entities and anyone placing reliance on any other source of information, including our website, [www.pradipoverseas.com](http://www.pradipoverseas.com) would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and our Company.

Our Company and the BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

**Caution**

Neither our Company nor the Book Running Lead Manager or any other member of the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.



The BRLM and its associates and affiliates may engage in transactions with, and perform services for, our Company and Entities Promoted by our Promoters, affiliates or associates of our Company in the ordinary course of business and have engaged, and may in future engage, in the provision of financial services for which they have received, and may in future receive, compensation.

#### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares, Eligible Employees in relation to the Employee Reservation Portion, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies, provident funds and pension funds and to permitted non residents including eligible NRIs, FIIs and other eligible foreign investors, provided they are eligible under all applicable laws and regulations to hold Equity Shares of our Company. The Red Herring Prospectus does not, however, constitute an invitation to subscribe to the Equity Shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus comes is required to inform himself or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been filed with RoC for observations and Stock Exchanges. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only:(i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act; and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

**The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

#### **Disclaimer Clause of Bombay Stock Exchange Limited**

BSE has *vide* given it letter dated April 29, 2009 permission to our Company to use BSE’s name in the Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner:-

- i Warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
- ii Warrant that this Company’s securities will be listed or will continue to be listed on BSE; or
- iii Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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



### **Disclaimer Clause of National Stock Exchange**

As required, a copy of the Draft Red Herring Prospectus has been submitted to the NSE. NSE has given *vide* its letter ref: NSE/LIST/109897-M dated June 8, 2009 permission to our Company to use NSE's name in the Red Herring Prospectus as one of the stock exchange on which our securities are proposed to be listed. The NSE has scrutinized the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever..

### **Disclaimer Clause of ICRA Limited**

Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.

### **Filing of Prospectus with SEBI and the RoC**

A copy of the Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the RoC having its address at RoC Bhavan, Opp Rupal Park, Near Ankur Cross Road, Naranpura, Ahmedabad- 380013, Gujarat atleast three (3) days before the Bid/Issue Opening Date. The final Prospectus would be filed with the Corporate Finance Department of SEBI and the RoC at the respective aforesaid addresses upon closure of the Issue and on finalisation of the Issue Price.

### **Listing**

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on BSE and NSE. Pursuant to applications made to BSE and NSE, in-principle approval for listing of the equity shares of our Company from BSE and NSE have been received *vide* their letters dated April 29, 2009 and June 08, 2009 respectively.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest all money received from the Bidders in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it. (i.e. from the date of refusal or within fifteen (15) days from the Bid/Issue Closing Date, whichever is earlier), then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of eight (8) days, be jointly and severally liable to repay the money with interest at the rate of 15% per annum on the Bid Amount, as prescribed under Section 73 of Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven (7) working days of finalisation and adoption of the Basis of Allotment for this Issue.



## Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

## Consents

Consents in writing of: our Directors; our Company Secretary and Compliance Officer; our Auditors; Bankers to our Company; Escrow Collection Bank(s); Refund Bank(s); Syndicate Members; IPO Grading Agency; BRLM; the Registrar and the legal advisors to this Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of filing of the Red Herring Prospectus with SEBI.

M/s. Ashok Dhariwal and Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with SEBI.

M/s. Ashok Dhariwal and Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report relating to possible tax benefits accruing to our Company and its members in the form and context in which it appears in the Red Herring Prospectus and have not withdrawn such consent up to the time of delivery of the Red Herring Prospectus for registration with SEBI.

## Expert Opinion

Except the report of ICRA Limited in respect of IPO grading and except as mentioned in the chapter titled “Statement of Tax Benefits” and section titled “Financial Statements” beginning on pages 73 and 150 of the Red Herring Prospectus, respectively, we have not obtained any expert opinions.

## Expenses of the Issue

The total expenses of the Issue will be finalised after determination of Issue Price. The Issue related expenses include, among others, underwriting and Issue management fees, selling commission, printing and distribution expenses, legal fees, advertisement expenses, IPO grading fees, registrar and depository fees and listing fees.

<i>(Rs. In Lacs)</i>				
Sr. No.	Description	Estimated expense*	% of Total Expenses*	% of Total Issue Size*
1.	Fees for the BRLM	[●]	[●]	[●]
2.	Fees for the Registrar to the Issue	[●]	[●]	[●]
3.	Regulatory fees (including fee payable to SEBI, Stock Exchanges)	[●]	[●]	[●]
4.	Fees payable to the legal counsel	[●]	[●]	[●]
5.	Fees payable to the Auditors	[●]	[●]	[●]
6.	Fees payable to IPO Grading Agency	[●]	[●]	[●]
7.	Marketing fee (including fee payable to advertising agencies)	[●]	[●]	[●]
8.	Miscellaneous expenses	[●]	[●]	[●]



Sr. No.	Description	Estimated expense*	% of Total Expenses*	% of Total Issue Size*
	<b>Total estimated Issue Expenses</b>	[●]	[●]	[●]
	<b>Less: Provided for in the cost of Project</b>	105	[●]	[●]
	<b>Issue Expenses not included in cost of Project</b>	[●]	100	[●]

\*Will be incorporated on finalization of the Issue Price and prior to filing Prospectus with RoC.

#### Details of Fees Payable

##### Fees Payable to the Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be as per the Engagement Letter and Memorandum of Understanding dated February 11, 2010 executed between our Company and BRLM, copy of which is available for inspection at our Registered Office.

##### Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to the Issue will be as per the memorandum of understanding signed by our Company and the Registrar dated October 23, 2008, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

##### Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for this Issue is as set out in the Syndicate Agreement to be entered into between our Company and the BRLM. The underwriting commission shall be paid as set out in the Underwriting Agreement to be entered into based on the Issue Price and amount underwritten in the manner mentioned in the Prospectus. Payment of underwriting commission, brokerage and selling commission would be in accordance with applicable laws.

##### Previous Rights and Public Issues during the Last Five Years

We have not made any previous rights or public issues during the last five years.

##### Previous Issues of Shares otherwise than for Cash

Except as stated in the chapter titled “*Capital Structure*” beginning on page 45 of the Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

##### Commission and Brokerage on Previous Issues

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since inception.

##### Particulars in regard to our Company and other listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act which made any public/rights/composite issue during the last three years.

There are no listed companies under the same management within the meaning of Section 370 (1B) of the Companies Act, which have made any public/ rights/ composite issue during the last three (3) years. Our Company has not made any public/ rights/ composite issue during the last three (3) years.

##### Promise versus Performance – Previous Issues of Company and Entities Promoted by our Promoters.

Our Company has not made any public issue of Equity Shares since its incorporation. None of our Entities Promoted by our Promoters have made any public issues in the past.

##### Outstanding Debentures, Bond Issues and Redeemable Preference Shares

As on the date of the Red Herring Prospectus, there are no outstanding debentures, bonds or redeemable preference shares of our Company.

##### Stock Market Data for our Equity Shares of our Company



This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

#### **Mechanism for redressal of investor grievances**

The Memorandum of Understanding between the Registrar to this Issue and our Company provides for retention of records with the Registrar to this Issue for a period of at least three year from the last date of despatch of the letters of Allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the Bidder, number of Equity Shares applied for, amount paid on Bid and the bank branch or collection centre where the Bid was submitted.

#### **Disposal of Investor Grievances by our Company**

Link Intime India Private Limited has been appointed as the Registrar in relation to this Issue, and in terms of the Memorandum of Understanding between our Company and the Registrar to the Issue, the Registrar shall redress complaints of the investors within one month of receipt of the complaint and continue to do so during the period it is required to maintain records. The Registrar shall provide a status report of investor complaints on a fortnightly basis to our Company. Similar status reports are also be provided to our Company as and when required by the Company.

Our Board at its meeting held on June 18, 2008 has constituted a Shareholder's / Investor's Grievance Committee chaired by Mr. Jivan Singh Negi and Mr. Pradipkumar Karia and Dr. Omprakash Pahuja as members and have reconstituted the Shareholder's / Investor's Grievance Committee chaired by Mr. Jivan Singh Negi and Mr. Pradipkumar Karia and Mr. Sudhir Jumani as members, on February 09, 2010.

The terms of reference of the said Committee are as mentioned in the chapter titled "*Our Management*" beginning on page 132 of the Red Herring Prospectus.

Our Company has appointed Mr. Kaushik Kapadia, Company Secretary as the Compliance Officer and he may be contacted at

#### **Mr. Kaushik Kapadia**

#### **Pradip Overseas Limited**

A/601, Narnarayan Complex,  
Near Swastik Cross Roads, Navrangpura,  
Ahmedabad – 380 009,

**Telephone no.:** +91-79-2643 1594,

**Fax:** +91-79-2642 0408,

**E-mail:** investors@pradipoverseas.com.

Investors may contact him in case of any pre-Issue or post-Issue problems.

#### **Changes in Auditors during the last three financial years and reasons therefor**

There has been no change in Statutory Auditors of our Company in the last three financial years.

#### **Capitalisation of Reserves or Profits**

Except as stated in the chapter titled "*Capital Structure*", our Company has not capitalised its reserves or profits at any time since inception. For details on capitalisation of reserves and profits, please refer chapter titled "*Capital Structure*" beginning on page 45 of the Red Herring Prospectus.

#### **Revaluation of Assets**

Our Company has not revalued its assets in the last five years.



## SECTION – IX

### ISSUE RELATED INFORMATION

#### TERMS OF THE ISSUE

##### **Principal Terms and Conditions of the Issue**

The Equity Shares now being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, ASBA form, the Revision Form, CAN, revised CAN the listing agreement with the Stock Exchanges and other terms and conditions as may be incorporated in the Allotment advice and other documents / certificates that may be executed in respect of the Equity Shares. Further to the above, the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Reserve Bank of India, RoC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

##### **Ranking of Equity Shares**

The Equity Shares being issued through the Issue shall, subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, rank *pari-passu* in all respects with the other existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees, in receipt of Allotment of Equity Shares under the Issue, will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment. For description of the main provisions of our Articles of Association, please refer section titled “*Main Provisions of the Articles of Association of our Company*” beginning on page 262 of the Red Herring Prospectus.

##### **Mode of Payment of Dividend**

The declaration and payment of dividend, if any, will be as per the provisions of the Companies Act.

##### **Face Value and Issue Price**

The Equity Shares with a face value of Rs. 10/- each will be offered in terms of the Red Herring Prospectus to be filed with the RoC at a price of Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The Floor Price of the Equity Shares is Rs. [●] per Equity Share and Cap Price is Rs. [●] per Equity Share. The Issue Price is [●] times the face value of the Equity Shares.

##### **Compliance with SEBI (ICDR) Regulations, 2009**

Our Company shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

##### **Rights of the Equity Shareholder**

Subject to applicable laws, the equity shareholders (members) of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and other preferential claims being satisfied;
- Right of free transferability of the Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further description of the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer section titled “*Main Provisions of the Articles of Association of our Company*” beginning on page 262 of the Red Herring Prospectus.

##### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of our Company in the Issue shall be Allotted only in dematerialised form. As per the existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialised form for all investors, and hence, the tradable lot would be one Equity Share. Allotment in the Issue will be only in electronic form in multiples of one Equity Share to the successful bidders subject to a minimum Allotment of [●] Equity Shares in



the Issue. For details of Allocation and Allotment, please refer chapter titled “*Issue Procedure*” beginning on page 221 of the Red Herring Prospectus.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of the Issue is with the competent courts/authorities in Ahmedabad, India.

### **Nomination Facility to the Investors**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original shareholder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she was the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale / transfer / alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company. In this context, please refer to the “**Note**” below.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- I. To register himself or herself as the holder of the Equity Shares; or
- II. To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety (90) days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Note: Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the Bidder(s) would prevail. If the investors require to change the nomination, they are requested to inform their respective Depository Participant.**

### **Minimum Subscription**

If our Company does not receive a minimum subscription of 90% of the Net Issue amount, including devolvement to the Underwriters, if any, within sixty (60) days from the Bid / Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight (8) days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

In accordance with sub clause (4) of Regulation 26 of the SEBI (ICDR) Regulations, 2009, our Company shall ensure that the number of Allottees, to whom the Equity Shares will be Allotted, is not less than 1,000. Further, in accordance with sub-clause (ii) of clause (a) of sub-regulation (2) of Regulation 26 of the SEBI (ICDR) Regulations, 2009, our Company shall make mandatory Allotment of minimum 10% of the Net Issue size to QIBs. If the number of Allottees in the proposed Issue is less than 1,000 in number or if 10% of the Net Issue size is not Allotted to QIBs, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight (8) days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

### **Withdrawal of the Issue**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue, including at any time after the Bid/Issue Opening Date, but before the Board meeting for Allotment in the Issue, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI (ICDR) Regulations, 2009, the QIBs are not permitted to withdraw their Bids after the Bid/Issue Closing Date.

### **Arrangements for Disposal of Odd Lots**





Our Company's Equity Shares will be traded in dematerialised form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

**Restrictions on transfer/transmission of shares etc. and alteration of capital structure**

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in the Red Herring Prospectus and in the Articles of Association of our Company. For further details, please refer section titled "*Main Provisions of the Articles of Association of our Company*" beginning on page 262 of the Red Herring Prospectus.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue. Further, NRIs who are not Eligible NRIs are not permitted to participate in the Issue. Equity Shares acquired by Eligible NRIs can be only sold to any other person eligible to acquire the same in accordance with all applicable laws, rules and regulations.

Sub accounts of FIIs registered with SEBI, being foreign corporate or foreign individuals are not eligible to participate in this Issue in the QIB Portion.

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only:(i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act; and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.



## ISSUE STRUCTURE

Public Issue of 1,06,00,000 Equity Shares at a price of Rs. [●] per Equity Share aggregating Rs. [●] Lacs (the “Issue”) including a reservation for Eligible Employees of 5,00,000 Equity Shares aggregating Rs. [●] Lacs and a Net Issue to the Public of 1,01,00,000 Equity Shares by our Company. The Issue would constitute 26.26 % of the fully diluted post-Issue paid-up capital of our Company. The Net Issue would constitute 25.02 % of the fully diluted post-Issue paid-up capital of our Company. If at least 10% of the Net Issue size cannot be Allotted to QIBs, then the entire application money shall be refunded forthwith. The Issue is being made through 100% Book Building Process.

Particulars	Eligible Employees in the Employee Reservation Portion (Reservation on competitive basis)	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 5,00,000 Equity Shares	Upto 50,50,000 Equity Shares can be Allotted to QIBs (subject to mandatory Allotment of minimum 10% of the Net Issue size, that is 10,10,000 Equity Shares to QIBs); of which at least 2,52,500 Equity Shares should be Allotted to Mutual Funds only.	At least 15,15,000 Equity Shares	At least 35,35,000 Equity Shares
Percentage of Issue Size available for Allocation	Upto 4.71% of the Issue Size	Upto 50% of the Net Issue or (subject to mandatory Allotment of minimum 10% of the Net Issue size) to Qualified Institutional Buyers (QIBs) (or Net Issue size less Allocation to Non-Institutional Bidders and Retail Individual Bidders).  Out of the QIB portion, 5% will be available for Allocation on a proportionate basis to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate Allocation under the balance portion available for the QIBs.	At least 15% of the Net Issue to Public or Net Issue to Public less Allocation to QIB bidders and Retail Individual Bidders (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs).	At least 35% of the Net Issue to Public or Net Issue to Public less Allocation to QIB bidders and Non-Institutional Bidders (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs)
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate as follows**: (a) 2,52,500 Equity	Proportionate	Proportionate



Particulars	Eligible Employees in the Employee Reservation Portion (Reservation on competitive basis)	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		Shares shall be available for Allocation on a proportionate basis to Mutual Funds; and  (b) 47,97,500 Equity Shares shall be available for Allocation on a proportionate basis to all QIBs including Mutual Funds receiving Allocation as per (a) above.		
Minimum Bid	[●] Equity Shares and multiples of [●] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Share thereafter.
Maximum Bid	Not exceeding the size of the Issue subject to applicable limits	Not exceeding the size of the Issue subject to applicable limits	Not exceeding the size of the Issue subject to applicable limits	Such number of Equity Shares whereby Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Allotment Lot	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter
Who can Bid	Eligible Employees of our Company as defined in the section titled “Definitions and Abbreviations” on page 2 of the Red Herring Prospectus.	A mutual fund, venture capital fund and foreign venture capital investor registered with SEBI; a foreign institutional investor and sub-account (other than a sub-account which is foreign corporate or foreign individual), registered with SEBI; a public financial	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000/-.	Resident Indian individuals, HUF (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.



Particulars	Eligible Employees in the Employee Reservation Portion (Reservation on competitive basis)	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		<p>institution as defined in Section 4A of the Companies Act, 1956; a scheduled commercial bank; a multilateral and bilateral development financial institution; a state industrial development corporation; an insurance company registered with the Insurance Regulatory and Development Authority (IRDA); provident funds with minimum corpus of Rs. 2500 lacs; and pension funds with minimum corpus of Rs. 2500 lacs and National Investment Fund set up by resolution no. F. No. 2/3/2005- DDII dated November 23, 2005 of the Government of India published in the Gazette of India and Insurance funds set up and managed by army, navy or air force of the Union of India, eligible to Bid in the Issue.</p>		
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate and ASBA Form to SCSB.	Margin Amount applicable to Retail Individual Bidder at the time of submission of: (i) Bid-cum-Application Form to the Member of Syndicate; or (ii) submission of ASBA Form to SCSB.
Margin Amount	Full Bid Amount on Bidding	At least 10% of the Bid Amount in respect of Bids placed by QIB Bidders on Bidding.***	Full Bid Amount on Bidding	Full Bid Amount on Bidding.



\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the QIB Portion (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs), Non-Institutional Portion, Retail Individual Portion would be allowed to be met with spillover inter-se from any of the other categories, at the sole discretion of our Company in consultation with the BRLM and the Designated Stock Exchange subject to applicable provisions of the SEBI (ICDR) Regulations, 2009.

\*\*If the aggregate demand by Mutual Funds is less than 2,52,500 Equity Shares the balance Equity Shares available for Allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

\*\*\*In case the Bid-Cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-Cum-Application Form.

**After the Bid / Issue Closing Date, depending upon the level of subscription, additional Margin Amount, if any, may be called from the QIB Bidders.**



## ISSUE PROCEDURE

### BOOK BUILDING PROCEDURE

This Issue is being made through a 100% Book Building Process, wherein, subject to valid Bids being received at or above the Issue Price in each of the below categories:

- (i) upto 50% (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs) of the Net Issue to the Public shall be available for Allocation on a proportionate basis to QIBs (of which 5% will be available for Allocation on a proportionate basis to Mutual Funds only, and Mutual Fund Bidders shall also be eligible for proportionate Allocation under the balance portion available for the QIBs);
- (ii) atleast 15% of the Net Issue shall be available for Allocation on a proportionate basis to Non Institutional Bidders;
- (iii) atleast 35% of the Net Issue shall be available for Allocation on a proportionate basis to Retail Individual Bidders;
- (iv) up to 5,00,000 Equity Shares shall be available for Allocation on a proportionate basis to the Eligible Employees;

Bidders are required to submit their Bids through the members of the Syndicate / SCSBs. We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is communicated in writing to the Bidder at the time of rejection of the Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares will be Allotted to successful Bidders only in the dematerialised form. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment shall be traded only in the dematerialised segment of the Stock Exchange(s).**

### BID-CUM-APPLICATION FORM

Bidders shall only use the specified Bid cum Application Form bearing the stamp of Syndicate Member for the purpose of making a Bid in terms of the the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the Allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue
Eligible Employees in the Employee Reservation Portion	Pink

In accordance with the SEBI ICDR Regulations, all investors except Qualified Institutional Buyers (QIBs) are eligible to apply through ASBA. The physical ASBA Bid cum Application Form shall be White in colour.

ASBA Bidders shall submit an ASBA Bid cum Application Form physically or electronically through internet banking facility to the SCSB authorizing blocking funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders. Upon the Allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Bid cum Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the SCSB, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in



the Red Herring Prospectus and the ASBA as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

## WHO CAN BID

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. FIIs registered with SEBI (other than sub-accounts of FII's who are foreign corporates of foreign individuals, who are not QIBs and hence cannot Bid in the QIB portion in the Issue)
8. Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals, only under the Non Institutional Bidders Category.
9. Foreign Venture Capital Funds registered with SEBI;
10. State Industrial Development Corporations;
11. Multilateral and bilateral development financial institutions;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;
15. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
16. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
17. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.
18. Persons otherwise eligible to invest under all applicable laws, rules, regulations and guidelines.
19. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;

**As per existing regulations, OCBs cannot Bid in this Issue. Sub-accounts of FII's who are foreign corporates or foreign individuals are not QIBs, and hence cannot Bid in the QIB Portion in the Issue.**

## Notes:

- a) Notwithstanding the aforesaid, in the Employee Reservation Portion, Bids can only be submitted by the Eligible Employees. For further details on bids by ASBA Process please refer to the heading title "*Issue Procedure for ASBA Bidders*" beginning on page 249 of the Red Herring prospectus.
- b) The BRLM and the Syndicate Members shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Syndicate Members are entitled to Bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in the Non-Institutional Portion, as may be applicable to such investors, where the Allotment will be on a proportionate basis. Such Bidding and subscription may be on their own account or on behalf of their clients. However, there is no restriction on SCSBs to invest in the Issue.
- c) Bidders are advised to ensure that any single Bid from them does not exceed the investment limit or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals whichever is lower.



The information above and otherwise contained in this Section as regards investment laws, investment limits, etc. as applicable to various categories of investors is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws, rules, regulations, guidelines or notifications.

## **HOW TO APPLY – AVAILABILITY OF FORMS, RED HERRING PROSPECTUS AND MODE OF PAYMENT**

### **BIDS BY MUTUAL FUNDS**

An eligible Bid by a Mutual Fund shall first be considered for Allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 2,52,500 Equity Shares, Allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for Allocation proportionately out of the remainder of the QIB portion, after excluding the Allocation in the Mutual Fund Portion.

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

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

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

### **BIDS BY NRIs**

Bid-cum-Application Forms will be made available for Eligible NRIs at our Registered Office, with members of the Syndicate and with the Registrar to the Issue.

Eligible NRI Bidders may please note that only such applications as are accompanied by payment in free foreign exchange or by debit to their NRE / FCNR accounts shall be considered for Allotment under the Eligible NRI category on repatriable basis. Eligible NRIs intending to participate in the bidding process shall ensure that their foreign address is registered with their depository participant or furnished on the Bid-cum-Application form. Post Allotment, if any, on repatriable basis, our Company is required to file FC-GPR with the Reserve Bank of India through an authorised dealer along with a KYC (Know Your Client) report issued by the their banker. Eligible NRIs who may be Allotted Equity Shares of our Company in the Issue are required to facilitate the issue of the above said report to be furnished to RBI. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the application form meant for Resident Indians (white in colour).

All instruments accompanying bids shall be payable in Mumbai only.

### **BIDS BY FIIs**

*As per current regulations, the following restrictions are applicable for investment by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company (i.e. 10% of 4,03,66,770 Equity Shares of Rs. 10 each). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-accounts is a foreign corporate or an individual.

Sub-accounts of FII's who are foreign corporates or foreign individuals are not QIBs, and hence cannot Bid in the QIB Portion in the Issue.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of our Company for adoption.





Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations 1995, as amended, by the SEBI (Foreign Institutional Investors)(Amendment) Regulations, 2008 (“SEBI FII Regulations”), an FII, as defined in the SEBI FII Regulations, or its sub account may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations, as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate foreign regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms. The FII or sub-account is also required to ensure that no further issue or transfer of any Offshore Derivative Instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the BRLM and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue.

### **BIDS BY SEBI REGISTERED VENTURE CAPITAL FUNDS AND FOREIGN VENTURE CAPITAL INVESTORS**

*As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors.*

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on the Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI. Accordingly, holding in our Company by any individual Venture Capital Fund registered with SEBI should not exceed 25% of the corpus of such Venture Capital Fund. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers.

Pursuant to the SEBI (ICDR) Regulations, 2009, the shareholding of SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one (1) year prior to the time of filing the Draft Red Herring Prospectus with SEBI.

The above information is given for the benefit of the Bidders. Bidders are advised to make their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and the accuracy of the information stated hereinabove. Our Company and the BRLM are not liable to inform the investors of any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

### **BIDS IN THE EMPLOYEE RESERVATION PORTION**

1. The term “Eligible Employees” shall have the same meaning as contained in the section titled “*Definitions and Abbreviations*” beginning on page 2 of the Red Herring Prospectus.
2. Bids in the Employee Reservation Portion may be made by Eligible Employees only.
3. In case of Bids by Eligible Employees, Bids must be made only in the prescribed Bid-cum-Application Form (pink in colour).
4. The sole/first Bidder should be the Eligible Employee. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the depository account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.
5. The Eligible Employee should mention his or her employee number at the relevant place in the Bid-cum-Application Form
6. Bids by Eligible Employees in the Employee Reservation Portion have to be received at or above the Issue Price for being considered for Allocation in the Employee Reservation Portion.
7. Bids by Eligible Employees can also be made in the Net Issue and such Bids will not be considered as multiple Bids.
8. The Bid should be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter.
9. Allotment in the Employee Reservation Portion would be on a proportionate basis not exceeding Rs. 1,00,000 for each Eligible Employee..



10. Eligible Employees who apply or Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the Bidding options can apply at the Cut-off Price. Eligible Employees, whose Bid Amount exceeds Rs. 100,000 are not allowed to Bid at the Cut-off Price.

## MAXIMUM AND MINIMUM BID SIZE

**For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000 (*Investors may note that total Bid Amount is not just the amount payable at application but the entire amount payable for the bid including the amount payable by Due Date for Balance Amount Payable*). In case the Bid amount is more than Rs. 100,000 due to revision of the Bid, the Bid would be considered for Allocation under the Non-Institutional Bidders category. The Cut-off Price option is available only to the Retail Individual Bidders (including ASBA Bidders), Eligible Employees indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book Building Process.

**For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. **Under existing SEBI (ICDR) Regulations, 2009, a QIB Bidder is not permitted to withdraw its Bid after the Bid/Issue Closing Date** and is required to pay QIB Margin Amount upon submission of the Bid. In case of revision of Bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids, such Bids would be considered for Allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at the Cut-Off Price.

**For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The Allotment in the Employee Reservation Portion will be on a proportionate basis not exceeding Rs. 1,00,000 for each Eligible Employee. The maximum Bid by an Eligible Employee in the Employee Reservation Portion cannot exceed the Issue size. Eligible Employees, whose Bid Amount does not exceed Rs. 100,000, including due to any revision in the Price Band, may Bid at the Cut-off Price. Eligible Employees, whose Bid Amount exceeds Rs. 100,000 are not allowed to Bid at the Cut-off Price.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus.**

## INFORMATION FOR BIDDERS

- Our Company will file the Red Herring Prospectus with the Registrar of Companies, at least 3 (three) days before the Bid/Issue Opening Date.
- Our Company, and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and Price Band atleast 2 days prior to the Bid/ Issue opening date and also publish the same in three widely circulated newspapers (one each in English, Hindi and regional language). This advertisement, subject to the provisions of Section. 66 of the Companies Act shall be in the format prescribed in XIII-B of the SEBI (ICDR) Regulations, 2009.
- Any investor (who is eligible to invest in our Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus and/or the Bid-cum- Application Form can obtain the same from our Registered Office, BRLM or from any of the members of the Syndicate.
- The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.
- The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum- Application Forms should bear the stamp of a member of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to SCSBs, BSE and NSE, by issuing a public notice in three widely



circulated newspapers (one each in English and Hindi) and one newspaper in the regional language, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members.

- The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Rs.[•].
- Our Company in consultation with the BRLM reserves the right to revise the Price Band, during the Bidding/Issue Period, in accordance with SEBI (ICDR) Regulations, 2009, provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.
- Our Company in consultation with the BRLM can finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.

## **METHOD AND PROCESS OF BIDDING**

- Our Company, and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Gujarat and also publish the same in three widely circulated newspapers (one English national newspaper, one Hindi national newspaper and one regional language newspaper). This advertisement shall contain the disclosures as prescribed in Schedule XIII-B of the SEBI (ICDR) Regulations, 2009, as amended from time to time. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period. The Price Band and the minimum Bid Lot for the Issue will be decided by our Company in consultation with the BRLM including the relevant financial ratios computed for both the Cap Price and Floor Price and advertised at least two working days prior to the Bid/Issue Opening Date in one English national daily newspaper, one Hindi national daily newspaper and one regional language newspaper, each with wide circulation.
- The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate. The Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled “*Build up of the Book And Revision of Bids*” below on page 230 of the Red Herring Prospectus and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for Allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- The Bidder cannot Bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the Allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 230 of the Red Herring Prospectus.
- The Members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum- Application Form. It is the responsibility of the Bidder to obtain the TRS from the Members of the Syndicate.
- During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment And Payment Into Escrow Accounts” on page 228 of the Red Herring Prospectus.

## **BIDS AT DIFFERENT PRICE LEVELS**

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of the market demand for the Equity Shares, by way of the Book Building Process.



The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can Bid at any price within the Price Band, in multiples of Re 1 (Rupee one).

Our Company in consultation with the BRLM reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI (ICDR) Regulations, 2009 by informing the SCSBs, Stock Exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open, if required, for a period of three (3) working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten (10) working days. Our Company in consultation with BRLM can finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders. Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI (ICDR) Regulations, 2009, provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.

- (a) The Bidders can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees, applying for a maximum Bid in any of the Bidding options not exceeding up to Rs. 100,000, may Bid at the Cut-off Price. However, Bidding at the Cut-off is prohibited for QIBs or Non Institutional Bidders or Bidders in the Employee Reservation Portion whose Bid Amount exceeds Rs. 100,000 and such Bids from QIBs, Non-Institutional Bidders, Bidders in the Employee Reservation Portion shall be rejected.
- (b) Retail Individual Bidders (including ASBA Bidders) or Bidders in the Employee Reservation Portion who Bid at the Cut-Off Price, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders, Bidders in the Employee Reservation Portion Bidding at the Cut-Off Price shall deposit the Bid Amount, based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, Bidders in the Employee Reservation Portion (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders or Bidders in the Employee Reservation Portion shall receive the refund of the excess amounts from the Refund Account in accordance with the paragraph titled “*Payment of Refund*” beginning on page 246 of the Red Herring Prospectus.
- (c) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (d) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for Allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (e) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who have bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of Bidding would be refunded from the Refund Account.

#### **OPTION TO SUBSCRIBE**

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

#### **ESCROW MECHANISM**

##### **Escrow Account**

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the



Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account and the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus. Payments of refunds to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), Refund Bank(s), our Company, the Registrar, BRLM and Syndicate Members to facilitate collections from the Bidders.

#### **TERMS OF PAYMENT AND PAYMENT INTO THE ESCROW ACCOUNT**

Each Bidder shall pay the applicable Margin Amount with the Bid Cum Application Form through a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the sub-section titled "*Payment Instructions*" beginning on page 237 of the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid Cum Application Forms accompanied by cash or stockinvest shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid Cum Application Form based on the highest bidding option of the Bidder.

The Bidders may also provide the applicable Margin Amount through an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide the QIB Margin Amount only through a BRLM.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with one of the Escrow Collection Banks. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account maintained by the Refund Bank, and not later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders (i.e. Eligible Employees bidding in the Employee Reservation Portion, QIB Bidders, Non Institutional Bidders and Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of submission of the Bid Cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the chapter titled "*Issue Structure*" beginning on page 217 of the Red Herring Prospectus. After the Bid/Issue Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, shall be called from the QIB Bidders. If such additional margin money is not paid into the appropriate Escrow Account within the time and in the manner stipulated above, the Bid of such QIB Bidder is liable to be rejected. Further we may call for additional Margin amount over and above the minimum prescribed 10% Margin Amount from certain QIBs at our discretion prior to acceptance of the Bid anytime upto the Bid/Issue Closing date and shall have the right to reject such bids on technical ground in case of non-receipt of such additional margin. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the Allocation list to the members of the Syndicate by the BRLM, and would be specified in the CAN. If the payment is not made favouring the relevant Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not accept such margin payment, the full amount of payment has to be made at the time of submission of the Bid-Cum-Application-Form.

**Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for Allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.**

#### **ELECTRONIC REGISTRATION OF BIDS**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city where a stock exchange is located in India and where Bids are being accepted.



- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. Pursuant to a recent amendment, the SEBI (ICDR) Regulations, 2009 require that the Bidding terminals shall contain an online graphical display of demand and Bid prices updated at periodic intervals, not exceeding 30 minutes. On the Bid/Issue Closing Date, the member of the Syndicate shall upload the Bids until such time as may be permitted by the Stock Exchanges. Bidders are cautioned that a high inflow of Bids, typically experienced on the last day of bidding, may lead to some Bids received on the last day not being uploaded, due to lack of sufficient uploading time and such Bids that could not be uploaded may not be considered for Allocation.
- (c) Aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be uploaded on a regular basis, consolidated and displayed on-line at all the Bidding centers and the websites of the BSE and the NSE. Pursuant to a recent amendment, the SEBI (ICDR) Regulations, 2009 require that the Bidding terminals shall contain an online graphical display of demand and Bid prices updated at periodic intervals, not exceeding 30 minutes. A graphical representation of consolidated demand and price would be made available at the Bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
- Name of the Bidder (Bidders should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the depository account is held. In case, the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the depository account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form);
  - Investor Category –Individual, Corporate, Eligible Employee, QIB, Eligible NRI, FII, or Mutual Fund, etc;
  - Number of Equity Shares Bid for;
  - Bid price;
  - Bid-cum-Application Form number;
  - Whether payment is made upon submission of Bid-cum-Application Form;
  - Margin Amount paid upon submission of Bid-cum-Application Form; and
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, Bids shall be submitted to the BRLM only and it shall have the right to accept or reject the Bid. However, such rejection should be made at the time of acceptance of the Bid-cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, Bids shall not be rejected except on the technical grounds listed on page 240 of the Red Herring Prospectus
- (h) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and



other requirements by our Company, or the BRLM are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company

- (i) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in anyway be deemed or construed that the Red Herring Prospectus has been cleared or approved by the BSE or the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

#### **BUILD UP OF THE BOOK AND REVISION OF BIDS**

The Issue Price will be determined by our Company in consultation with the BRLM, on the basis of assessment of the market demand for the Equity Shares, by way of the Book Building Process. The Price Band will be decided by us in consultation with the BRLM and will be disclosed atleast two working days prior to the Bid/ Issue opening date.

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis. Pursuant to recent amendments, the SEBI (ICDR) Regulations, 2009 require that the Bidding terminals shall contain online graphical display of demand and Bid prices updated at periodic intervals not exceeding thirty minutes.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft or the electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (h) Only Bids that are uploaded on the online IPO system of the BSE and the NSE shall be considered for Allocation/ Allotment. In case of discrepancy of data between the Bids registered on the online IPO system of the BSE and the NSE and physical Bid-cum-Application Form, the decision of our Company, in consultation the BRLM, and the Designated Stock Exchange, based on the physical records of Bid-cum-Application Forms shall be final and binding on all concerned.

**Under existing SEBI ICDR Regulations, a QIB Bidder bidding in the QIB Portion cannot withdraw its Bid after the Bid/Issue Closing Date**



## PRICE DISCOVERY AND ALLOCATION

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with our Company.
- (b) Our Company, in consultation with the BRLM shall finalise the “Issue Price” and the number of Equity Shares to be Allotted in each investor category.
- (c) The Allocation for QIBs shall be upto 50% of the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs) on a proportionate basis, subject to valid Bids being received at or above the Issue Price, of which 5% shall be reserved for Mutual Funds, would be on a proportionate basis. The availability for Allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. If at least 10% of the Net Issue size cannot be Allotted to QIBs, the entire application monies will be refunded. The Allocation under the Employee Reservation Portion shall be on a proportionate basis not exceeding Rs. 1,00,000 for each Eligible Employee, in the manner specified under the SEBI (ICDR) Regulations, 2009 and the Red Herring Prospectus, subject to valid Bids being received at or above Issue Price, and is approved by the Designated Stock Exchange.
- (d) In case of over-subscription in all investor categories, upto 50% of the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs) of the Issue shall be available for Allocation on a proportionate basis to QIBs, out of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 10% share in the QIB Portion will also be eligible for Allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for Allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIBs.
- (e) In case of under-subscription in the Employee Reservation Portion, the same would be allowed to be met with spillover *inter-se* from the any other category, at the sole discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange, subject to upto 50% of the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs) being available for Allocation on a proportionate basis to QIBs. In case of under-subscription in the Net Issue (except in the QIB Portion), spillover to the extent of under- subscription shall be permitted from other categories or a combination of categories, the Employee Reservation Portion at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Such *inter-se* spillover, if any, would be effected in accordance with applicable laws, rules, regulations and guidelines.
- (f) The BRLM in consultation with our Company, shall notify the member of the Syndicate of the Issue Price and Allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Allotment to Eligible NRIs, FIIs or Mutual Funds or FVCIs will be subject to applicable laws, rules, regulations, guidelines and approvals.
- (h) Our Company reserves the right to withdraw the Issue any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason whatsoever.
- (i) In terms of SEBI (ICDR) Regulations, 2009, QIB Bidders are not permitted to withdraw their Bid after the Bid/Issue Closing Date.
- (j) The Allotment details shall be put on the website of the Registrar to the Issue.

## SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

- (a) Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and Allocation(s) to the Bidders.





- (b) After signing the Underwriting Agreement, our Company will update and file the Red Herring Prospectus with the RoC, which then would be termed the 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

#### **ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT**

Subject to Section 66 of the Companies Act, our Company shall, after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, publish an advertisement in the form prescribed by the SEBI (ICDR) Regulations, 2009, in three (3) widely circulated newspapers (one English national newspaper, one Hindi national newspaper and one regional language newspaper).

#### **ADVERTISEMENT REGARDING PRICE BAND (IF PRICE BAND IS NOT DISCLOSED IN THE RED HERRING PROSPECTUS)**

If the Price Band is not mentioned in the Red Herring Prospectus, then our Company shall announce the Price Band at least two working days before the Bid / Issue Opening Date including the relevant financial ratios computed for both the Cap Price and Floor Price, in all the newspapers in which the pre-Issue advertisement was released; i.e. in one English national daily newspaper, one Hindi national daily newspaper and one regional language newspaper at the place where the registered office of the issuer is situated, each with wide circulation

#### **ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS**

Our Company will issue a statutory advertisement after the filing of the Prospectus with RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (CAN)**

After the determination of Issue Price, the following steps would be taken

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been Allocated Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of Allocation for the Retail Individual Bidders, Non-Institutional Bidders and Bidders bidding in the Employee Reservation Portion. However, Bidders should note that our Company shall ensure that the instructions for demat credit of the Equity Shares to all Bidders, in all categories, shall be given by our Company the same date.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been Allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the Balance Amount Payable for all the Equity Shares Allocated to such Bidder. Those Bidders who have not paid the Bid Amount in full into the Escrow Account at the time of Bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been Allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of Bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account.
- (d) The issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as mentioned below.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI (ICDR) Regulations, 2009, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the Allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay



additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES**

- (a) Our Company will ensure that the Allotment of Equity Shares is completed within 15 days of the Bid/Issue Closing Date.
- (b) After the funds are transferred from the Escrow Accounts and SCSBs to the Issue Account and Refund Account on the Designated Date, our Company will ensure Allotment of the Equity Shares to the Allottees within two (2) working days of date of Allotment. All Allottees will receive credit for the Equity Shares directly in their depository account.
- (c) **Equity Shares will be issued only in the dematerialised form to the Allottees.** Allottees will have the option to re-materialise the Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

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

In case, our Company fails to make Allotments within fifteen (15) days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% p.a.

#### **GENERAL INSTRUCTIONS**

##### **Do's:**

- (a) Check if you are eligible to apply, with regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;
- (b) Complete the Bid-cum-Application Form/ASBA Form after reading all the instructions carefully;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be Allotted in the dematerialised form only. Bids through the ASBA shall be submitted to any of the designated branches and/ or the controlling branches of the SCSB where the investor has his account;
- (d) Ensure that the Bids are submitted at the Bidding Centers only on forms bearing the stamp of a member of the Syndicate;
- (e) Ensure that you have been given a TRS for all your Bid options;
- (f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (g) Ensure that the Bid is within Price Band;
- (h) Investors must ensure that the name given in the Bid-cum-Application Form/ASBA Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum-Application Form;
- (i) Ensure that you mention your Permanent Account Number (PAN) allotted under the IT Act, irrespective of the amount of the Bid. Applications in which PAN is not mentioned would be rejected;
- (j) Ensure that Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.

##### **Don'ts:**



- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise Bid to a price that is less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate or SCSB respectively;
- (d) Do not pay the Bid amount in cash, by postal order, money order or by Stockinvest;
- (e) Do not send Bid-cum-Application Forms by post; instead submit the same to the members of the Syndicate only;
- (f) Do not Bid at Cut-Off Price (for QIBs, Non-Institutional Bidders and such Bidders in the Employee Reservation Portion);
- (g) Do not fill up the Bid-cum-Application Form such that the Equity Shares Bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (h) Do not bid at Bid Amount exceeding Rs. 100,000, in case you are a Retail Individual Bidder
- (i) Do not submit GIR number instead of PAN as the Bid is liable to be rejected on this ground; and
- (j) Do not submit the Bid without the QIB Margin Amount in case of a Bid by a QIB.

#### **INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM**

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

#### **Bids and Revision of Bids**

Bids and revision of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for resident Indians and blue for Non-residents including Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions applying on repatriation basis, pink in colour for the Bidders in the Employee Reservation Portion and white in colour for ASBA bidders).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 100,000.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount is not less than Rs. 100,000. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) For Eligible Employees bidding in the Employee Reservation Portion Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum of the Issue size. The Allotment in the Employee Reservation portion will be on a proportional basis not exceeding Rs. 1,00,000 for each Eligible Employee.
- (f) In single name or in joint names (not more than three and in the same order as their Depository Participant details).



- (g) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- (h) Thumb impressions and signatures other than in the languages specified in the Eight Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Submission Of Bid-Cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

### **BIDDER'S DEPOSITORY ACCOUNT DETAILS AND BANK ACCOUNT DETAILS**

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification Number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' demographic details such as address, bank account details, occupation etc. (Demographic Details) including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf.

These bank account details will be used for giving refund to the Bidders. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or credit of refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and none of our Company, the Registrar, the Escrow Collection Bank(s), Bankers to the Issue, Refund Bank(s), the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. Hence, Bidders should carefully fill in their depository account details in the Bid-cum-Application Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/Allocation advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorise the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/Allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Banks nor the BRLM, nor our Company, nor the Registrars shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.



In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

#### **BIDS UNDER POWER OF ATTORNEY**

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or by-laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

#### **BIDS BY INSURANCE COMPANIES**

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

#### **BIDS BY PROVIDENT/PENSION FUNDS**

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 Lacs and pension funds with minimum corpus of Rs. 2,500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

**Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous submission of the power of attorney along with the Bid-cum-Application Form, subject to such terms that our Company, the BRLM may deem fit.**

Our Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / Allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the Depositories.

#### **BIDS BY ELIGIBLE NRIs, FVCIs AND FIIs ON A REPATRIATION BASIS**

Bids and revision to Bids must be made:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details chapter titled "Issue Procedure" on page 221 of the Red Herring Prospectus.
4. Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of Allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional



Bidder Portion for the purposes of Allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of [•] Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see “Maximum and Minimum Bid Size”.

5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB’s.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.
7. All instruments accompanying bids shall be payable in Mumbai only.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of Allocation.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**As per the RBI regulations, OCBs are not permitted to participate in the Issue.**

**All applicants will be treated on the same basis with other categories for the purpose of Allocation.**

It is to be distinctly understood that there is no reservation for Eligible NRIs, FVCIs and FIIs. All Eligible NRIs, FVCIs and FIIs will be treated on the same basis with other categories for the purpose of Allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

**PAYMENT INSTRUCTIONS - PAYMENT INTO ESCROW ACCOUNT (not applicable to ASBA Investors):**

Our Company, shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to Allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on Allocation as per the following terms:

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the Allocation list to the members of the Syndicate by the BRLM.
- (c) All cheques / bank drafts accompanying the Bid should be crossed “A/c Payee Only” and shall be payable at the place of bidding and drawn in favour of:



In case of Eligible Employees bidding in the Employee Reservation Portion: **“Escrow Account – POL IPO – Employee”**.

In case of Resident QIB Bidders: **“Escrow Account – POL IPO - QIB - R”**.

In case of Non - Resident QIB Bidders: **“Escrow Account – POL IPO - QIB - NR”**.

In case of Resident Non-Institutional and Retail Individual Bidders: **“Escrow Account – POL IPO - R”**.

In case of Non-Resident Non-Institutional and Retail Individual Bidders: **“Escrow Account – POL IPO - NR”**.

- (d) In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non Resident External (NRE) Accounts or the Foreign Currency Non Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non Resident ordinary (NRO) Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE Account or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the Balance Amount Payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account and the surplus amount shall be transferred into the Refund Account maintained with the Refund Bank(s).
- (i) On the Designated Date and no later than fifteen (15) days from the Bid/Issue Closing Date, the Refund Bank(s) shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for Allocation to the Bidders.

**Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/money orders/ postal orders will not be accepted.**

#### **PAYMENT BY STOCKINVEST**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Accordingly, payment through stockinvest will not be accepted in the Issue.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form (First Bidder). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository or otherwise.



### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures to be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name, age, status and first line address will be accumulated and taken into a separate process file which would serve as a multiple master document.
2. In this master, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The addresses of all these applications from the multiple master will be strung from the address master. This involves including the addresses in a single line after deleting non-alpha and non-numeric characters, i.e. commas, full stops, hashes, etc. Sometime, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name will be treated as multiple applications.
4. The applications will be scanned for similar Depository Participant Identification numbers and client identity numbers. In cases where applications bear the same numbers, these will be treated as multiple applications.
5. After the aforesaid procedures, a print-out of the multiple master will be taken out and the applications physically verified to tally signatures and also the father's / husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Eligible Employees bidding in the Employee Reservation Portion can also Bid in the "Net Issue Portion and such Bids shall not be treated as multiple Bids.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

### **PERMANENT ACCOUNT NUMBER (PAN)**

Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, each of the Bidders should mention his/her PAN allotted under the I.T. Act. Each Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN. Applications without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form

### **UNIQUE IDENTIFICATION NUMBER - MAPIN**

SEBI has, with effect from July 2, 2007, declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Thus, the use of Unique Identification Number has been discontinued.

### **REJECTION OF BIDS**

In case of QIB Bidders, our Company, in consultation with the BRLM may reject a Bid, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the QIB Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company, in consultation with the BRLM, would have a right to reject such





Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

#### **GROUND FOR TECHNICAL REJECTIONS**

Bidders are advised to note that Bids are liable to be rejected, *inter alia*, on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest number of Equity Shares bid for;
2. Age of First Bidder is not given;
3. Bids are submitted by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
4. Bidder's PAN is not mentioned in the Bid(except for Bidders exempted from mentioning PAN in terms of SEBI Circular bearing no. MRD/DoP/Cir-20/2008 dated June 30, 2008. ;
5. The Bid is for a lower number of Equity Shares than the minimum number specified for that category of investors;
6. Bids are submitted at a price less than lower end of the Price Band;
7. Bids are submitted at a price more than the higher end of the Price Band;
8. Bids are submitted at Cut-off Price by Non-Institutional Bidders, QIB Bidders and Bidders in the Employee Reservation Portion whose Bid Amount exceeds Rs. 100,000;
9. Bids are submitted for number of Equity Shares which are not in multiples of [●];
10. Bidder's category is not ticked;
11. Bids amount to multiple bids as defined in the Red Herring Prospectus;
12. In case of Bids under power of attorney or by limited companies, corporate, trust etc., the requisite documents are not submitted;
13. Bids are accompanied by stockinvest/ money order/postal order/cash;
14. The signature of the sole and / or joint bidders is missing;
15. The Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Members;
16. The Bid-cum-Application Form does not have Bidder's depository account details;
17. In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), Depository Participant Identification number and beneficiary account number;
18. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
20. Bids by QIBs that are not submitted through the BRLM;
21. Bids by OCBs;
22. Bid by U.S. residents or U.S persons;



23. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
24. Bids by Non-Residents if not in compliance with applicable foreign and Indian laws, or by any person who is not eligible to acquire Equity Shares in terms of the applicable laws, rules, regulations, guidelines and approvals.
25. If GIR number is mentioned instead of PAN Number
26. Bids by employees or directors of our Company or our holding company Bidding in the Employee Reservation Portion who are not eligible to apply in the Employee Reservation Portion;
27. Bids by ASBA investors who have also bid in the Employee Reservation Portion.

#### **EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

**As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be Allotted only in a dematerialised form, (i.e. not in the form of physical certificates but fungible statements issued in an electronic mode).**

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated June 12, 2008 with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated January 29, 2009 with CDSL, us and Registrar to the Issue

**Bidders will be Allotted Equity Shares only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.**

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants, NSDL or CDSL, prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable Allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' and "Bidders Bank Account Details" in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those recorded with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of our Company would be in dematerialised form only for all investors.



## COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, of the Bid-cum-Application Form and the name and addresses of the Syndicate Member with whom the Bid was submitted and cheque, number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of CAN/Allotted shares in the respective beneficiary accounts/refund orders/refunds in electronic mode etc.

### **Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders/ instruction to Self Certified Syndicate Banks by the Registrar**

Our Company shall ensure dispatch of Allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the Bidders with their respective Depository Participant and submission of the Allotment and listing documents to the Stock Exchanges within two (2) working days of the date of Allotment of the Equity Shares. The mode of dispatch of refunds shall be as mentioned in the paragraph titled “*Payment of Refunds*” beginning on page 246 of the Red Herring Prospectus.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the Bidders within fifteen (15) days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

**The bank account details for ECS, Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the Depositories’ database and hence bidders are required to ensure that bank details including the nine digit MICR code (Magnetic Ink Character Recognition) maintained at the Depository level are updated and correct.**

Our Company shall use its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven (7) working days of finalisation of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, our Company further undertakes that:

- Allotment of the Equity Shares shall be made only in dematerialised form within fifteen (15) days of the Bid/Issue Closing Date;
- Dispatch refund orders shall be made within fifteen (15) days of the Bid/Issue Closing Date ; and
- Our Company shall pay interest at 15% (fifteen percent) per annum for any delay beyond the 15 (fifteen) day time period as mentioned above, if Allotment is not made and refund orders are not dispatched to investors or if, in case that the refund or a portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by GoI, Ministry of Finance pursuant to their letter no. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI (ICDR) Regulations, 2009.

Our Company shall provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

## IMPERSONATION

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

**“Any person who:**



**(a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or**

**(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years.”**

#### **INTEREST ON REFUND OF EXCESS BID AMOUNT**

Our Company shall pay interest at the rate of 15% per annum on the excess Bid Amount if refund orders are not dispatched within 15 days from the Bid/ Issue Closing date.

#### **BASIS OF ALLOTMENT**

##### **A. For Bidders in the Employee Reservation Portion**

- Bids received from Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allocation to all successful Bidders in the Employee Reservation Portion will be made at the Issue Price.
- If the aggregate demand in the Employee Reservation Portion is less than or equal to **5,00,000** Equity Shares at or above the Issue Price, full Allocation shall be made to such Bidders in the Employee Reservation portion to the extent of the demand.
- If the aggregate demand in the Employee Reservation Portion is more than 5,00,000 Equity Shares at or above the Issue Price the Allocation shall be made on a proportionate basis [of a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter,] [up to a maximum of [●] Equity Shares]. The Allotment in the Employee Reservation portion will be on a proportional basis not exceeding Rs. 1,00,000 for each Eligible Employee. For the method of proportionate basis of Allotment refer below.
- Only Eligible Employees may apply under the Employee Reservation Portion.
- For the definition of term “Eligible Employee” for the purposes of the Employee Reservation Portion please refer section titled “*Definitions and Abbreviation*” beginning on page 2 of the Red Herring Prospectus.

##### **B. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue less Allocation to Non-Institutional and QIB Bidders (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs) and Eligible Employees shall be available for Allocation to Retail Individual Bidders who have Bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 35,35,000 Equity Shares at or above the Issue Price, full Allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 35,35,000 Equity Shares at or above the Issue Price, the Allocation shall be made on a proportionate basis of not less than [●] Equity Shares and in multiples of [●]. Equity Shares thereafter. For the method of proportionate basis of Allotment, refer below.

##### **C. For Non Institutional Bidders**

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allocation to all successful Non-Institutional Bidders will be made at the Issue Price.



- The Issue less Allocation to QIBs (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs), Retail Individual Bidders and Eligible Employees shall be available for Allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,15,000 Equity Shares at or above the Issue Price, full Allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 15,15,000 Equity Shares at or above the Issue Price, Allocation shall be made on a proportionate basis of not less than [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of Allotment refer below.

#### **E. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allocation to all the QIB Bidders will be made at the Issue Price.
- Upto 50% of the Net Issue (subject to mandatory Allotment of minimum 10% of the Net Issue size to QIBs), that is [●] Equity Shares, shall be available for Allocation to QIBs who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- In terms of sub-clause (ii) of clause (a) and sub-clause (i) of clause (b) of sub-regulation (2) of Regulation 26 of SEBI (ICDR) Regulations, 2009 as amended from time to time, wherein the “Project” has atleast 15% participation by financial institutions / scheduled commercial banks, of which atleast 10% comes from the appraiser (s). In addition to this, atleast 10% of the Net Issue shall be Allotted to QIBs failing which the full subscription money shall be refunded. In case of delay, if any, in refund, we shall pay interest on the application money @ 15% p.a. for the period of delay.
- The QIB Portion shall be available for Allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - In the first instance Allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;
    - i) In the event that Bids from Mutual Fund exceed 5% of the QIB Portion, Allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received at or above the Issue Price.
    - iii) Equity Shares remaining unsubscribed, if any, not Allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - In the second instance Allocation to all QIBs shall be determined as follows:
    - i) In the event of over subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - ii) Mutual Funds, who have received Allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for Allocation to the remaining QIB Bidders on a proportionate basis.

Except for any shares Allocated to QIB Bidders due to under subscription in the Retail Portion Non Institutional Portion and Employee Reservation Portion, the aggregate Allocation to QIB Bidders shall be made on a proportionate basis at least to the extent of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of Allocation refer below.



- o The aggregate Allocation to QIB Bidders shall not be less than [●] Equity Shares.

The BRLM, the Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of Allotment is finalised in a fair and proper manner in accordance with the SEBI (ICDR) Regulations, 2009. The drawing of lots (where required) to finalise the basis of Allotment shall be done in the presence of a public representative of the Governing Board of the Designated Stock Exchange.

## **PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT OF EQUITY SHARES AND DEMAT CREDIT OF EQUITY**

The Issue will be conducted through a “100% Book Building Process” pursuant to which the Syndicate Members will accept Bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on March 11, 2010 and expire on March 15, 2010. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM will determine the Issue Price, and, in consultation with the BRLM the basis of Allocation and entitlement to Allotment based on the Bids received and subject to the confirmation by the BSE/NSE. Successful Bidders will be provided with a CAN (subject to a revised CAN) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI (ICDR) Regulations, 2009 require our Company to complete the Allotment to successful bidders within fifteen (15) days of the expiration of the Bidding Period. The Equity Shares will then be credited and Allotted to the investors’ demat accounts maintained with the relevant Depository Participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three (3) trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

### **METHOD OF PROPORTIONATE BASIS OF ALLOTMENT**

In the event the Issue is over-subscribed, the basis of Allotment shall be finalised by our Company in consultation with the BRLM and the Designated Stock Exchange. The executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of Allotment is finalised in a fair and proper manner. The Allotment shall be in marketable lots, on a proportionate basis as explained below.

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be Allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) The number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum Allotment of [●] Equity Shares. The minimum Allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- d) In all Bids where the proportionate Allotment is less than [●] per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of [●] Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (c) above.
- e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be Allotted Equity Shares arrived at after such rounding off.
- f) If the Equity Shares Allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of Bidders applying for minimum number of Equity Shares.



g) The basis of Allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange

## **DETAILS OF ALLOTMENT TO QIB BIDDERS/APPLICANTS**

### **LETTERS OF ALLOTMENT OR REFUND ORDERS**

Our Company shall give credit of the Equity Shares Allotted, if any, to the beneficiary account of the successful bidder with Depository Participants and submit the documents pertaining to the listing of the equity shares to the Stock Exchanges within two (2) working days of finalization of the date of Allotment of Equity Shares. Bidders having bank accounts at any of the 68 centres where clearing houses are managed by the Reserve Bank of India (RBI) and who have registered the nine digit MICR code of their bank branch with their depository participant will get refunds through Electronic Credit Service (ECS) only, except where a Bidder is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other Bidders, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder’s sole risk within fifteen (15) days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Bidders to whom refunds are made through electronic transfer of funds will be send a letter through “Under Certificate of Posting” within fifteen (15) days of the Bid / Issue Closing Date, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

Our Company shall ensure dispatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Direct Credit or RTGS, as applicable, only at the First Bidder’s sole risk within fifteen (15) days of the Bid/Issue Closing Date, and adequate funds for postage and expenses for making refunds to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, 2009, our Company undertakes that:

- (a) Allotment of Equity Shares will be made only in dematerialised form within fifteen (15) days from the Bid/Issue Closing Date;
- (b) Dispatch of refund orders will be done within fifteen (15) days from the Bid/Issue Closing Date;
- (c) It shall pay interest at 15% per annum (for any delay beyond the fifteen (15) day time period as mentioned above), if Allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the refund bank, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the initiating the corporate action for the same.

Our Company will provide adequate funds required for the cost of dispatch of refund orders/ refund advice/ Allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders. However, charges levied by the Refund Bank for electronic payments such as ECS, direct credit, RTGS or NEFT would be borne by our Company.

### **PAYMENT OF REFUND**

**Bidders must note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant’s Identification Number, Beneficiary Account number provided by them in the Bid-Cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders’ bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the Registrar or the Escrow Collection Banks nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**



### Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- (a) **ECS (Electronic Clearing Services) / NECS (National Electronic Clearing Services)**– Payment of refund would be done through ECS/ NECS for applicants having an account at any of the centers where such facility has been made available.

This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned 68 centers, except where the applicant, being eligible, opts to receive refund through Direct Credit, NEFT or RTGS. ECS / NECS may also be done at other locations based on operational efficiency and in terms of Demographic Details obtained by Registrar to the Issue from the Depository Participants.

- (b) **Direct Credit** – Investors having their Bank Account with the Refund Bank(s), i.e. HDFC Bank Limited, shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Refund Bank(s).
- (c) **RTGS (Real Time Gross Settlement)** – Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rs. one lac, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the Indian Financial System Code (“IFSC”) code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS / NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant’s bank receiving the credit would be borne by the Bidder.
- (d) **NEFT (National Electronic Fund Transfer)** – Payment of refund shall be undertaken through NEFT wherever the branch of the applicants’ bank is NEFT enabled and has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), of that branch. IFSC Code will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- (e) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

For all the other Bidders excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

### BID / ISSUE PROGRAMME

BID/ISSUE OPENS ON:	March 11, 2010
BID/ISSUE CLOSES ON:	March 15, 2010

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

**In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.**





Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI (ICDR) Regulations, 2009, provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.

**In case of revision in the Price Band, the Issue Period will be extended for three (3) additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding ten (10) working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to SCSBs, the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the other members of the Syndicate.**

#### **INTEREST IN CASE OF DELAY IN DESPATCH OF ALLOTMENT LETTERS / REFUND ORDERS**

We agree that Allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the Allotment letters/refund orders have not been dispatched to the Bidders within 15 days from the Bid/Issue Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system within 15 days from the Bid / Issue Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

#### **UNDERTAKING BY OUR COMPANY**

Our Company undertakes as follows:

- a. that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- b. that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven (7) working days of finalisation of the basis of Allotment;
- c. that funds required for making refunds to unsuccessful Bidders as per the mode(s) disclosed under the paragraph titled “*Disposal of Applications and Application Money*” on page 242 of the Red Herring Prospectus, shall be made available to the Registrar to the Issue by our Company;
- d. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Bidder within fifteen (15) days of Bid / Issue Closing Date giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- e. that the refund orders or Allotment advice to Non-Resident Bidders shall be dispatched within specified time; and
- f. that no further issue of securities shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.
- g. that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of Allotment.)
- h. that our Company shall not have any access to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

**Our Company will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or Allotment advice to the Registrar to the Issue.**



## UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be credited/ transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilised out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- (c) details of all unutilised monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilised monies have been utilised; and
- (d) the details of all unutilised monies out of the funds received under the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of our Company indicating then form in which such unutilised monies have been invested.

Our Company shall not have recourse to the Issue proceeds until final listing and trading approvals have been obtained from the Stock Exchange.

### **Rectification of Register of Members**

Our Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

### **Withdrawal of the Issue**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed. Any further issue of Equity Shares by our Company shall be in compliance with applicable laws. If the Issue is withdrawn after the Bid/Issue Closing Date, our Company shall be required to file a fresh Draft Red Herring Prospectus with the Board.

## ISSUE PROCEDURE FOR ASBA BIDDERS

**This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. Our Company and the BRLM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Bid cum Application Form is correctly filled up, as described in this section.**

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in>. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI link.

### **ASBA PROCESS**

A Bidder (other than a QIB) shall submit his Bid through an ASBA Bid cum Application Form, either in physical or electronic mode through internet banking facility, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder (“**ASBA Account**”) is maintained. The SCSB shall block an amount equal to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against the allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for



unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Bidders to the ASBA Public Issue Account. In case of withdrawal/failure of the Issue, the BRLM through the Registrar to the Issue shall notify the SCSBs to unblock the blocked amount of the ASBA Bidders latest by the next day of receipt of such instruction.

### **ASBA BID CUM APPLICATION FORM**

ASBA Bidders shall use the ASBA Bid cum Application Form bearing the stamp of the Syndicate Members and/or the Designated Branch of SCSB, as the case may be, for the purpose of making a Bid in terms of the Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA account held with SCSB, and accordingly registering such Bids.

On submission of the ASBA Bid cum Application Form, the ASBA Bidders are deemed to have authorised (i) the SCSB to do all acts as are necessary to make the Application in the Issue, including uploading his/her Bid, blocking or unblocking of funds in the bank account maintained with the SCSB specified in the ASBA Bid cum Application Form, transfer of funds to the Public Issue Account on receipt of instruction from the Registrar to the Issue after finalisation of the Basis of Allotment; and (ii) the Registrar to the Issue to issue instructions to the SCSB to remove the block on the funds in the bank account specified in the ASBA Bid cum Application Form, upon finalisation of the Basis of Allotment.

Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the Designated Branch of the SCSB, the ASBA Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

The prescribed colour of the ASBA Bid cum Application Form shall be white.

### **WHO CAN BID?**

In accordance with the SEBI ICDR Regulations, a Bidder (Other than a QIB) can submit their application through ASBA process to bid for the Equity Shares of our Company.

**A QIB is not permitted to submit an application through the ASBA Process to Bid for the Equity Shares of our Company.**

### **MAXIMUM AND MINIMUM BID SIZE FOR ASBA BIDDERS**

The ASBA Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. ASBA Bidders who are Resident Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the Bidding options in the Issue, will be categorised as Retail Individual Bidders. ASBA Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount over Rs. 100,000 will be categorised as Non Institutional Bidders.

### **INFORMATION FOR THE ASBA BIDDERS:**

- a. The BRLM shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Bid cum Application Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Bid cum Application Form and that the same are made available on the websites of the SCSBs.
- b. ASBA Bidders, under the ASBA process, who would like to obtain the Red Herring Prospectus and/or the ASBA Bid cum Application Form can obtain the same from the Designated Branches of the SCSBs or the BRLM. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the ASBA Bid cum Application Form in electronic form on the websites of the SCSBs.



- c. The Bids should be submitted on the prescribed ASBA Bid cum Application Form if applied in physical mode. SCSBs may provide the electronic mode of Bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors.
- d. ASBA Bid cum Application Forms should bear the stamp of the Syndicate Members and/or Designated Branch of the SCSB. ASBA Bid cum Application Forms which do not bear such stamp will be rejected.
- e. ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch. In case the amount available in the bank account specified in the ASBA Bid cum Application Form is insufficient for blocking the amount equivalent to the Bid Amount, the SCSB shall reject the application.
- f. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form. No more than five ASBA Bid cum Applications can be submitted per bank account in the Issue.

ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Bid cum Application Form. For the purpose of evaluating the validity of Bids, the Demographic Details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Bid cum Application Form.

#### **METHOD AND PROCESS OF BIDDING**

- a. ASBA Bidders are required to submit their Bids, either in physical or electronic mode through internet banking facility. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI ICDR Regulations and the Red Herring Prospectus.
- b. The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid cum Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.
- c. Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- d. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- e. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid cum Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip (“TRS”). The TRS shall be furnished to the ASBA Bidder on request.
- f. An ASBA Bidder cannot bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form after bidding on one ASBA Bid cum Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be liable to be rejected either before



entering the Bid into the electronic bidding system, or at any point of time prior to the Allocation or Allotment of Equity Shares in this Issue.

## **BIDDING**

- a. If the Price Band is not mentioned in the Red Herring Prospectus as filed with the RoC, the Price Band and the minimum Bid Lot Size for the Issue shall be decided by our Company, in consultation with the BRLM, and advertised in two newspapers (one in English, one in Hindi, and one regional newspaper) at least two working days prior to the Bid/Issue Opening Date.
- b. Our Company in consultation with the BRLM reserves the right to revise the Price Band, during the Bid/Issue Period, in accordance with the SEBI ICDR Regulations provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on either side i.e. the floor price can move up or down to the extent of 20% of the Floor Price disclosed at least two working days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.
- c. In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in three (3) widely circulated newspapers (one English national newspaper, one Hindi national newspaper and one regional language newspaper) and also by indicating the change on the websites of the BRLM and SCSBs and at the terminals of members of the Syndicate.
- d. Our Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the ASBA Bidders.
- e. ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.
- f. In case of an upward revision in the Price Band announced as above, the ASBA Bidders who had Bid at Cut-off Price could either (i) revise their ASBA Bid or (ii) instruct to block additional amount based on the revised Cap Price (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut-off Price), with the Controlling Branch or Designated Branch of the SCSBs to whom the original ASBA Bid cum Application Form was submitted. In case the total amount (i.e., original Bid Amount plus additional amount blocked) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non Institutional Portion in terms of this Red Herring Prospectus. If, however, the ASBA Bidder does not either revise the ASBA Bid or instruct to block additional amount and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional amount would be required to be blocked from the ASBA Bidder and the ASBA Bidder is deemed to have approved such revised Bid.

## **MODE OF PAYMENT**

Upon submission of an ASBA Bid cum Application Form with the SCSB, whether in physical or electronic mode through internet banking, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid Amounts paid in cash, by money order or by postal order, or by stock invest, or ASBA Bid cum Application Form accompanied by cash, draft, money order, postal order, stock invest or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI ICDR Regulations,



into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts from the time of the submission of the ASBA Bid cum Application Form, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### **ELECTRONIC REGISTRATION OF BIDS BY SCSBs**

- a. In case of ASBA Bid cum Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Bid cum Application Form in the electronic bidding system of the Stock Exchange(s) unless
  - (i) it has received the ASBA in a physical or electronic form; and
  - (ii) it has blocked the application money in the bank account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.
- b. The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.
- c. The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online at all the Designated Branches of the SCSBs and on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at all the Designated Branches of the SCSBs during the Bidding Period.
- d. At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:
  - Name of the Bidder(s);
  - Application Number;
  - Permanent Account Number;
  - Details of bid options, (a) number of Equity Shares for each Bid, (b) Bid rate for each Bid
  - Depository Participant Identification Number; and
  - Client identification Number of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchanges.

- e. A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM or the Designated Branches of the SCSBs are cleared or approved by the Stock



Exchanges, nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.

- h. It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
- i. The SCSB may reject the ASBA Bid upon receipt of ASBA Bid cum Application Form, if the bank account maintained with the SCSB as mentioned in the ASBA Bid cum Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.
- j. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for Allocation/Allotment. In case of discrepancy of data between the Stock Exchanges and the Designated Branches of the SCSBs, the decision of the Registrar to the Issue, in consultation with the BRLM, our Company and the Designated Stock Exchange, based on the physical / electronic records, as the case may be, of the ASBA Bid cum Application Forms shall be final and binding on all concerned.

#### **BUILD UP OF THE BOOK AND REVISION OF BIDS**

- a. Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the Stock Exchanges mainframe on a regular basis, in accordance with market practices.
- b. The book gets built up at various price levels. This information will be available with the BRLM, the Stock Exchanges and the Designated Branches of the SCSBs on a regular basis.
- c. During the Bid/Issue Period, any ASBA Bidder who has registered his/ her or its interest in the Equity Shares at a particular price level is free to revise his/ her or its Bid within the Price Band using the printed ASBA Revision Form, which is a part of the ASBA Bid cum Application Form. Revisions can be made in both the desired number of Equity Shares and the Bid Amount (including the price per Equity Share) by using the ASBA Revision Form. Apart from mentioning the revised options in the revision form, the ASBA Bidder must also mention the details of all the options in his/ her or its ASBA Bid cum Application Form or earlier ASBA Revision Form. For example, if an ASBA Bidder has Bid for three options in the ASBA Bid cum Application Form and he is changing only one of the options in the ASBA Revision Form, he must still fill the details of the other two options that are not being revised, in the ASBA Revision Form. The SCSB will not accept incomplete or inaccurate Revision Forms.
- d. The ASBA Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the ASBA Bidders will have to use the services of the same Designated Branch of the SCSB with whom he/she or it holds the bank account. ASBA Bidders are advised to retain copies of the ASBA Revision Form and the revised Bid must be made only in such ASBA Revision Form or copies thereof.
- e. Any revision of the Bid shall be accompanied by an instruction to block the incremental amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked by the SCSB.
- f. When an ASBA Bidder revises his/her or its Bid, he/she or it shall surrender the earlier TRS and get a revised TRS from the SCSBs. **It is the responsibility of the ASBA Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- g. The SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Bid cum Application Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue. Further the decision of the Registrar to the Issue in consultation with the BRLM, our Company and the Designated Stock Exchange, in this regard shall be final and binding.



- h. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for Allocation / Allotment.

### **PRICE DISCOVERY AND ALLOCATION**

After the Bid/Issue Closing Date, the BRLM shall aggregate the demand generated under the ASBA process and which details are provided to them by the Registrar to the Issue to determine the demand generated at different price levels. For further details, refer paragraph titled “Price Discovery and Allocation” beginning on page 255 of the Red Herring Prospectus.

### **SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING**

- (a) Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and Allocation / Allotment to the Bidders.
- (b) After signing the Underwriting Agreement, we shall update and file the updated Red Herring Prospectus with the RoC, which then would be termed the ‘Prospectus’. The Prospectus would contain details of the Issue Price and Issue size.

### **ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS**

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in one English national daily newspaper, one Hindi national daily newspaper and one regional language newspaper, each with wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### **ISSUANCE OF CAN**

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue. Investors should note that our Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue; and
- (b) The ASBA Bidders shall directly receive the CAN from the Registrar. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

### **UNBLOCKING OF ASBA ACCOUNT**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar to the Issue shall provide the following details to the Controlling Branches of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the Public Issue Account and transfer the requisite money to the Public Issue Account designated for this purpose, within the timelines specified in the ASBA facility: (i) the number of Equity Shares to be Allotted against each valid ASBA Bid, (ii) the amount to be transferred from the relevant bank account to the Public Issue Account, for each valid ASBA Bid, (iii) the date by which funds referred to in sub para (ii) above, shall be transferred to the Public Issue Account, (iv) details of rejected ASBA Bids, if any, along with reasons for rejection and details of withdrawn/unsuccessful ASBA Bids, if any, to enable SCSBs to unblock the respective bank accounts. The SCSBs shall then unblock the relevant bank accounts for, (a) the transfer of the requisite money to the Public Issue Account against each valid ASBA, (b) the withdrawn/rejected/unsuccessful ASBA Bids, (c) the excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Bid, as the case may be.

### **ALLOTMENT OF EQUITY SHARES**

- (a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date.





- (b) As per the SEBI ICDR Regulations, **Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allottees**. Allottees will have the option to re-materialise the Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

## GENERAL INSTRUCTIONS

### *Do's:*

- a. Check if you are eligible to Bid under ASBA process.
- b. Ensure that you use the ASBA Bid cum Application Form specified for the purposes of ASBA process.
- c. Read all the instructions carefully and complete the ASBA Bid cum Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid cum Application Form is white in colour).
- d. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.
- e. Ensure that your Bid is submitted at a Designated Branch of a SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar to the Issue or BRLM.
- f. Ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder.
- g. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form.
- h. Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.
- i. Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form in your ASBA Account maintained with a branch of the concerned SCSB.
- j. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid cum Application Form.
- k. Ensure that you have mentioned your Permanent Account Number (“**PAN**”) allotted under the I.T. Act.
- l. Ensure that the name(s) and PAN(s) given in the ASBA Bid cum Application Form is exactly the same as the name(s) and PAN(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid cum Application Form.
- m. Ensure that the Demographic Details are updated, true and correct, in all respects.

### *Don'ts:*

- a. Do not submit an ASBA Bid if you are QIB.
- b. Do not Bid for lower than the minimum Bid size.
- c. Do not Bid on another ASBA or non-ASBA Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.



- d. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.
- e. Do not send your physical ASBA Bid cum Application Form by post; instead submit the same to a Designated Branch of the SCSB only.
- f. Do not submit more than five ASBA Bid cum Application Forms per bank account for the Issue.
- g. Do not submit the GIR number instead of the PAN.
- h. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

**Bids by ASBA Bidders must be:**

- a. Made only in the prescribed ASBA Bid cum Application Form, which is white in colour if submitted in physical mode, or electronic mode.
- b. In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- c. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein and in the ASBA Bid cum Application Form.
- d. The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum of [●] Equity Shares such that the Bid Amount does not exceed the maximum investment limits prescribed under law.
- e. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**ASBA BIDDER'S DEPOSITORY ACCOUNT AND BANK DETAILS**

**ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, BENEFICIARY ACCOUNT NUMBER AND PERMANENT ACCOUNT NUMBER IN THE ASBA BID CUM APPLICATION FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. ADDITIONALLY, THE PERMANENT ACCOUNT NUMBER IN THE ASBA BID CUM APPLICATION FORM SHOULD BE EXACTLY THE SAME AS PROVIDED TO THE DEPOSITORY ACCOUNT. IN CASE THE ASBA BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE ASBA BID CUM APPLICATION FORM.**

**ASBA Bidders should note that on the basis of name of the ASBA Bidders, PAN, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, Demographic Details of the ASBA Bidders including address, ("Demographic Details"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Bid cum Application Form.**

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Bid cum Application Form, the ASBA Bidder is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

CAN/Allocation advice and letters intimating unblocking of bank account of the respective ASBA Bidder would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery



of CAN/Allocation advice or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, our Company, Registrar to the Issue, or the BRLM shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

### **PAYMENT MECHANISM UNDER ASBA**

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the amount in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

### **ASBA BIDS UNDER POWER OF ATTORNEY**

In case of ASBA Bids made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Bid cum Application Form. Failing this, our Company, in consultation with the BRLM, reserves the right to reject such ASBA Bids.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Bid cum Application Form, subject to such terms and conditions that we, in consultation with the BRLM may deem fit.

### **OTHER INSTRUCTIONS**

#### **Withdrawal of ASBA Bids**

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form during the Bid/Issue Period, the ASBA Bidder shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA Bid from the electronic bidding system of the Stock Exchanges and unblocking of funds in the relevant bank account.

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form after the Bid/Issue Closing Date, the ASBA Bidder shall submit the withdrawal request to the Registrar to the Issue before finalization of Basis of Allotment. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Issue to the SCSB on finalization of the Basis of Allotment.

### **JOINT ASBA BIDS**

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

### **MULTIPLE ASBA BIDS**



An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are described under paragraph “Multiple Bids” beginning on page 239 the Red Herring Prospectus.

### **Permanent Account Number**

For details, see “Permanent Account Number (PAN)” beginning on page 239 of the Red Herring Prospectus.

### **Right to Reject ASBA Bids**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder’s bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder’s bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Bid cum Application Form does not match with one available in the depository’s database, such ASBA Bid shall be rejected by the Registrar to the Issue.

### **GROUND FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS**

In addition to the grounds listed under “Grounds for Technical Rejection” beginning on page 240 of the Red Herring Prospectus, applications under the ASBA process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Application on plain paper;
2. Amount mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of Equity Shares Bid for;
3. Submission of more than five ASBA Bid cum Application Form per bank account in the Issue;
4. Age of first Bidder not given;
5. Bids made by QIBs;
6. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors (Except through their natural / legal guardian), insane persons and persons of unsound mind;
7. ASBA Bid cum Application Form not being signed by the bank account holder, if the bank account holder is different from the Bidder;
8. PAN not stated, or GIR number furnished instead of PAN. See “Permanent Account Number (PAN)” beginning on page 239 of the Red Herring Prospectus;
9. Bids for number of Equity Shares, which are not in multiples of [●];
10. Authorisation for blocking funds in the ASBA Bidder’s bank account not ticked or provided;
11. Multiple Bids as defined in this Red Herring Prospectus;
12. In case of Bid under power of attorney, relevant documents are not submitted;
13. ASBA Bids accompanied by money order/postal order/cash/stockinvest;
14. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;
15. ASBA Bid cum Application Form does not have the stamp of the SCSB and/or Syndicate Member;
16. ASBA Bid cum Application Form does not have the Bidder’s depository account details;
17. ASBA Bid cum Application Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Bid cum Application Form and the Red Herring Prospectus;
18. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account; and
19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number;

Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.



## **COMMUNICATIONS**

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Bid cum Application Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted, bank account number in which the amount equivalent to the Bid amount was blocked and a copy of the acknowledgement slip. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. Our Company, the BRLM, the Syndicate Members and the Registrar to the Issue accept no responsibility for errors, omissions, commissions or any acts of SCSB's including any defaults in complying with its obligations under applicable SEBI ICDR Regulations.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, or the Registrar to the Issue in case of any pre- or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

## **DISPOSAL OF INVESTOR GRIEVANCES**

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

## **IMPERSONATION**

For details, see "Impersonation" beginning on page 242 of the Red Herring Prospectus.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONIES AND INTEREST IN CASE OF DELAY IN INSTRUCTIONS TO SCSBs BY THE REGISTRAR TO THE ISSUE**

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, we undertake that:

- Allotment and transfer shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum for any delay beyond the 15 day period mentioned above, if Allotment is not made, instructions for unblocking of ASBA Bidder's Bank Account are not dispatched and/or demat credits are not made to investors within the 15 day period prescribed above.

## **BASIS OF ALLOTMENT**

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The Basis of Allotment to such valid ASBA and non-ASBA Bidders will be that applicable to investors of the category in which the Bids have been made. For details, see "Basis of Allotment" beginning on page 243 of the Red Herring Prospectus.

## **METHOD OF PROPORTIONATE BASIS OF ALLOCATION IN THE ISSUE**

ASBA Bidders who are Resident Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the Bidding options in the Issue, will be categorised as Retail Individual Bidders. ASBA Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount over Rs. 100,000 will be categorised as Non Institutional Bidders. No preference shall be given vis-à-vis ASBA and non-ASBA Bidders.



## **UNDERTAKING BY OUR COMPANY**

In addition to our undertakings described under “Undertaking by our Company” beginning on page 248 of the Red Herring Prospectus, with respect to the ASBA Bidders, we undertake that adequate arrangement shall be made to collect all ASBA Bid cum Application Forms and to consider ASBA Bidders similar to other Bidders while finalizing the Basis of Allotment.

## **UTILIZATION OF ISSUE PROCEEDS**

Our Board has provided certain certifications with respect to the utilization of Issue Proceeds. For details, refer paragraph titled “Utilization of Issue Proceeds” beginning on page 249 of the Red Herring Prospectus.



## SECTION – X

### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY

#### MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI (ICDR) Regulations, 2009, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

<b>Title of Article</b>	<b>Article Number and contents</b>
Share Capital	3. The authorized share capital of the Company is Rs.42,00,00,000- (Rupees Twenty Five Crores Only) divided into 4,20,00,000/- Equity Shares of Rs. 10/- each. The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.
Increase of capital by the Company how carried into effect	4. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act.
Non Voting Shares	6. The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.
Redeemable Preference Shares	7. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.
Provisions to apply on issue of Redeemable Preference Shares	9. On the issue of redeemable preference shares under the provisions of Article 7 hereof, the following provisions shall take effect: (a) No such Shares shall be redeemed except out of profits of which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption. (b) No such Shares shall be redeemed unless they are fully paid. (c) The premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's security premium account, before the Shares are redeemed. (d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company. (e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.



Title of Article	Article Number and contents
Reduction of capital	10. The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce (a) the share capital; (b) any capital redemption reserve account; or (c) any security premium account. in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.
Purchase of own Shares	11. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.
Sub-division consolidation and cancellation of Shares	12. Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.
Modification of rights	13. Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall <i>mutatis mutandis</i> apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted. The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking <i>pari passu</i> therewith.





## SHARES, CERTIFICATES AND DEMATERIALISATION

Title of Article	Article Number and contents
Restriction on allotment and return of allotment	14. The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.
Further issue of shares	15. (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares then: (a) Such further Shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those Shares at that date; (b) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined; (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right; (d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company. (2) Notwithstanding anything contained in sub-clause (1), the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever. (a) If a Special Resolution to that effect is passed by the Company in General Meeting; or (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company. (3) Nothing in sub-clause (c) of (1) hereof shall be deemed; (a) To extend the time within which the offer should be accepted; or (b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation. (4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued by the Company: (i) To convert such debentures or loans into Shares in the Company; or (ii) To subscribe for Shares in the Company PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term: (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that government in this behalf; and (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the loans.
Shares at the disposal of the Directors	16. Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of



Title of Article	Article Number and contents
	<p>Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.</p>
Power to offer Shares/options to acquire Shares	<p>16A</p> <p>(i) Without prejudice to the generality of the powers of the Board under Article 16 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.</p> <p>(ii) In addition to the powers of the Board under Article 16A(i), the Board may also allot the Shares referred to in Article 16A(i) to any trust, whose principal objects would inter alia include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 16A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.</p> <p>(iii) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 16A(i) and (ii) above.</p>
Application of premium received on Shares	<p>17.</p> <p>(1) where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the security premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the security premium account were paid up share capital of the Company.</p> <p>(2) The security premium account may, notwithstanding anything in clause (I) thereof be applied by the Company:</p> <p>(a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus;</p> <p>(b) In writing off the preliminary expenses of the Company;</p> <p>(c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company ; or</p> <p>(d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.</p>
Power also to Company in General Meeting to issue Shares	<p>18.</p> <p>In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.</p>



Title of Article	Article Number and contents
Power of General Meeting to authorize Board to offer Shares/Options to employees	18A Without prejudice to the generality of the powers of the General Meeting under Article 18 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose In addition to the powers contained in Article 18A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.
Shares at a discount	19. The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely: (a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board; (b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and (c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.
Installments of Shares to be duly paid	20. If by the conditions of any allotment of any Shares the whole or any part of the amount or issued price thereof shall, be payable by installments, every such installment shall when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the Shares or his legal representatives, and shall for the purposes of these Articles be deemed to be payable on the date fixed for payment and in case of non-payment the provisions of these Articles as to payment of interest and expenses forfeiture and like and all the other relevant provisions of the Articles shall apply as if such installments were a call duly made notified as hereby provided.
The Board may issue Shares as fully paid-up	21. Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.
Acceptance of Shares	22. Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.
Deposit and call etc., to be debt payable	23. The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.



<b>Title of Article</b>	<b>Article Number and contents</b>
Liability of Members	24. Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.
Dematerialisation of securities	25.(B) Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.
Options to receive security certificates or hold securities with depository	25.(C) Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository. Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.
Securities in depositories to be in fungible form	25.(D) All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
Rights of depositories and beneficial owners	25.(E) (1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner;  (2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;  (3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.
Option to opt out in respect of any security	25.(H) If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.
Share certificate	26. (a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.  (b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.
Limitation of time for issue of certificates	26A. Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three



Title of Article	Article Number and contents
	<p>months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.</p>
Renewal of share certificates	<p>27. No certificate of any Share or Shares shall be issued either in exchange for those, which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.</p> <p>PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.</p>
Issue of new certificate in place of one defaced, lost or destroyed	<p>28. <b>If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new Certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.</b></p> <p>Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.</p> <p>The provision of this Article shall <i>mutatis mutandis</i> apply to Debentures of the Company.</p>
The first name joint holder deemed sole holder	<p>29. If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.</p>
Company not bound to recognize any interest in Shares other than of registered holder	<p>35. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.</p>
Trust recognised	<p>36. (a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto,</p>



<b>Title of Article</b>	<b>Article Number and contents</b>
	<p>in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.</p> <p>(b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.</p>
Funds of Company not to be applied in purchase of Shares of the Company	38. No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

## **UNDERWRITING AND BROKERAGE**

<b>Title of Article</b>	<b>Article Number and contents</b>
Commission may be paid	39. Subject to the provisions of Section 76 of the Act, the Company may at anytime pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares in or debentures of the Company but so that the commission shall not exceed in the case of the Shares five percent of the price at which the Shares are issued and in the case of debentures two and half percent of the price at which the debenture are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid Shares or debentures as the case may be or partly in one way and partly in the other.
Brokerage	40. The Company may on any issue of Shares or Debentures or on deposits pay such brokerage as may be reasonable and lawful.
Commission to be included in the annual return	41. Where the Company has paid any sum by way of commission in respect of any Shares or Debentures or allowed any sums by way of discount in respect to any Shares or Debentures, such statement thereof shall be made in the annual return as required by Part I of Schedule V to the Act.

## **INTEREST OUT OF CAPITAL**

<b>Title of Article</b>	<b>Article Number and contents</b>
Interest out of capital	42. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.



## DEBENTURES

Title of Article	Article Number and contents
Debentures with voting rights not to be issued	<p>43.</p> <p>(a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.</p> <p>(b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.</p> <p>(c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.</p> <p>(d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.</p> <p>(e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.</p> <p>(f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred.</p> <p>(g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.</p> <p>(h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.</p>

## CALLS

Title of Article	Article Number and contents
Directors may make calls	<p>44.</p> <p>(a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.</p> <p>(b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.</p>
Notice of call when to be given	<p>45.</p> <p>Not less than <b>fourteen days</b> notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.</p>
Call deemed to have been made	<p>46.</p> <p>A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.</p>



Title of Article	Article Number and contents
Directors may extend time	47. The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extended such time to call or any of the Members, the Board of Directors may deem fairly entitled to such extension but no Member shall be entitled to such extension as of right except as a matter of grace and favour.
Amount payable at fixed time or by installments to be treated as calls	48. If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.
When interest on call or installment payable	49. If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.
Evidence in action by Company against share holder	50. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.
Payment in anticipation of calls may carry interest	51. <b>The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.</b>
	The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.
	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures of the Company.

## LIEN

Title of Article	Article Number and contents
Partial payment not to preclude forfeiture	52. Neither the receipt by the Company of a portion of any money which shall, from time to time





Title of Article	Article Number and contents
Company's lien on Shares/ Debentures	<p>be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.</p> <p>53.</p> <p>The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interest in any Share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures; Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares/Debentures. The Directors may at any time declare any Shares/ Debentures wholly or in part exempt from the provisions of this Article.</p>
As to enforcing lien by sale	<p>54.</p> <p>The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:-</p> <p>(a) Unless a sum in respect of which the lien exists is presently payable; or</p> <p>(b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency.</p> <p>For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from behalf of and in the name of such Members</p> <p>(c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.</p>
Application of proceeds of sale	<p>55.</p> <p>(a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and</p> <p>(b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).</p>

## FORFEITURE OF SHARES

Title of Article	Article Number and contents
If money payable on Shares not paid notice to be given	<p>56.</p> <p>If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.</p>
Sum payable on allotment to be deemed a call	<p>57.</p> <p>For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.</p>
Form of notice	<p>58.</p> <p>The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not</p>



Title of Article	Article Number and contents
	exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited. 59.
In default of payment Shares to be forfeited	If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture. 60.
Notice of forfeiture to a Member	When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid. 61.
Forfeited Shares to be the property of the Company and may be sold etc.	Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit. 62.
Member still liable for money owing at the time of forfeiture and interest	Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so. 63.
Effects of forfeiture	The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved. 64.
Power to annul forfeiture	The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit. 65
Declaration of forfeiture	(a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.  (b) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.  (c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.  (d) Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.  (e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings



<b>Title of Article</b>	<b>Article Number and contents</b>
	in reference to the forfeiture, sale re-allotment or other disposal of the Shares. 66.
Provisions of these articles as to forfeiture to apply in case of nonpayment of any sum.	The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified. 67.
Cancellation of shares certificates in respect of forfeited Shares	Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto. 68.
Evidence of forfeiture	The declaration as mentioned in Article 65(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share. 69.
Validity of sale	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. 70.
Surrender of Shares	The Directors may subject to the provisions of the Act, accept a surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

## TRANSFER AND TRANSMISSION OF SHARES

<b>Title of Article</b>	<b>Article Number and contents</b>
No transfers to minors etc.	71. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind. 72.
Instrument of transfer	The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. 73.
Application for transfer	(a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee. (b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice (c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.



<b>Title of Article</b>	<b>Article Number and contents</b>
Execution of transfer	74. The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.
Transfer by legal representatives	75. A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.
Register of Members etc when closed	76. The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.
Directors may refuse to register transfer	77. Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.
Death of one or more joint holders of Shares	78. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.
Titles of Shares of deceased Member	79. The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.
Notice of application when to be given	80. Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.



<b>Title of Article</b>	<b>Article Number and contents</b>
Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)	81. Subject to the provisions of the Act and Article 78 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".
Refusal to register nominee	82. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.
Person entitled may receive dividend without being registered as a Member	83. A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.
No fee on transfer or transmissions	84. No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar document.
Transfer to be presented with evidence of title	85. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.
Company not liable for disregard of a notice prohibiting registration of transfer	86. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

## SHARE WARRANTS

<b>Title of Article</b>	<b>Article Number and contents</b>
Power to issue share warrants	87. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.
	88.



<b>Title of Article</b>	<b>Article Number and contents</b>
Deposit of share warrants	(a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant (b) Not more than one person shall be recognized as depositor of the Share warrant (c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor
Privileges and disabilities of the holders of share warrant	89. (a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company. (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.
Issue of new share warrant coupons	90. The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

## CONVERSION OF SHARES INTO STOCK AND RECONVERSION

<b>Title of Article</b>	<b>Article Number and contents</b>
Share may be converted into stock	91. The Company may, by Ordinary Resolution: (a) Convert any fully paid up Share into stock, and reconvert any stock into fully paid-up Shares.
Transfer of stock	92. The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit. PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.
Right of stock holders	93. The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.
Regulation applicable to stock and share warrant	94. Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

## BORROWING POWERS

<b>Title of Article</b>	<b>Article Number and contents</b>
Power to borrow	95. Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board,



<b>Title of Article</b>	<b>Article Number and contents</b>
	borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded. 96.
The payment or repayment of moneys borrowed	The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued. 98.
Terms of issue of Debentures	Any Debentures, Debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise; However, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution. 99.
Mortgage of uncalled capital	If any uncalled capital of the Company is included in or charged by mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security has been executed.

## MEETING OF MEMBERS

<b>Title of Article</b>	<b>Article Number and contents</b>
Statutory meeting	100. The statutory meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.
Annual General Meeting	101. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Register under the provisions of Section 166 (1) of the Act to extend the time with which any Annual General Meeting may be held. Every Annual General Meeting shall be called at a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the Registered Office of the Company is situated as the Board may determine and the notices calling the Meeting shall specify as the Annual General Meeting. Then company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every Member of



Title of Article	Article Number and contents
Report statement and registers to be laid before the Annual General Meeting	the Company shall be entitled to attend, either in person or by proxy and the Auditors of the Company, shall have the right to attend and be heard at any General Meeting which he attends on any part of the business which concerns him as an Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Director's Report and audited statement of accounts, the Proxy Register with proxies and the Register of Director's Shareholding, which Registers shall remain open and accessible during the continuance of the Meeting. The Board shall cause to be prepared the annual list of Members, summary of share capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act. 102. The Company shall in every Annual General Meeting in addition to any other Report or Statement lay on the table the Director's Report and audited statement of accounts, Auditor's Report (if not already incorporated in the audited statement of accounts), the Proxy Register with proxies and the Register of Director's Shareholdings, which Registers shall remain open and accessible during the continuance of the Meeting.
Extra-Ordinary General Meeting Requisitionists' meeting	103. All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting. 104.
	(1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:- (a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting. (b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting. (2) The number of Members necessary for a requisition under clause (1) hereof shall be (a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or (b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lac in all. (3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter. (4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless: (a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company. (i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting. (ii) the case of any other requisition, not less than two weeks before the Meeting, and (b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto. PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof. (5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory





Title of Article	Article Number and contents
Extra-Ordinary General Meeting by Board and by requisition	<p>matter.</p> <p>(6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.</p> <p>105.</p> <p>(a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.</p>
When a Director or any two Members may call an Extra Ordinary General Meeting	<p>(b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.</p>
Contents of requisition, and number of requisitionists required and the conduct of Meeting	<p>106.</p> <p>(1) In case of requisition the following provisions shall have effect:</p> <p>(a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.</p> <p>(b) The requisition may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up share capital of the Company as that date carried the right of voting in regard to that matter.</p> <p>(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause are fulfilled.</p> <p>(e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition, the Meeting may be called:</p> <p>(i) By the requisitionists themselves ; or</p> <p>(ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (1) which ever is less. PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.</p> <p>(2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:</p> <p>(a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but</p> <p>(b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some days after the expiry of that period.</p> <p>(3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.</p> <p>(4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.</p>
Length of notice of	107.



Title of Article	Article Number and contents
Meeting	<p>(1) A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.</p> <p>(2) A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof, if consent is accorded thereto:</p> <p>(i) In the case of Annual General Meeting by all the Members entitled to vote thereat; and</p> <p>(ii) In the case of any other Meeting, by Members of the Company holding not less than ninety-five percent of such part of the paid up share capital of the Company as gives a right to vote at the Meeting.</p> <p>PROVIDED THAT where any Members of the Company are entitled to vote only on some resolution, or resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purposes of this clause in respect of the former resolutions and not in respect of the later.</p>
Contents and manner of service of notice	<p>108</p> <p>(1) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat.</p> <p>(2) Subject to the provisions of the Act notice of every General Meeting shall be given;</p> <p>(a) to every Member of the Company, in any manner authorised by sub-sections (1) to (4) Section 53 of the Act;</p> <p>(b) to the persons entitled to a Share in consequence of the death, or insolvency of a Member, by sending it through post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignees of the insolvent, or by like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and</p> <p>(c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of Members of the Company</p> <p>PROVIDED THAT, where the notice of a Meeting is given by advertising the same in a newspaper circulating in the neighborhood of Registered Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.</p>
Special and ordinary business and explanatory statement	<p>(3) Every notice convening a Meeting of the Company shall state with reasonable prominence that a Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a Member of the Company.</p> <p>109.</p> <p>(1)(a) In the case of an Annual General Meeting all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to</p> <p>(i) the consideration of the accounts, balance sheet the reports of the Board of Directors and Auditors;</p> <p>(ii) the declaration of dividend;</p> <p>(iii) the appointment of Directors in the place, of those retiring; and</p> <p>(iv) the appointment of, and the fixing of the remuneration of the Auditors, and</p> <p>(b) In the case of any other meeting, all business shall be deemed special</p> <p>(2) Where any items of business to be transacted at the Meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item, of business, including in particular the nature of the concern or interest, if any, therein of every Director.</p> <p>PROVIDED THAT, where any such item of special business at the Meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every Director of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up-share capital of the other company.</p> <p>(3) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.</p>
Omission to give notice	110.



<b>Title of Article</b>	<b>Article Number and contents</b>
not to invalidate proceedings	The accidental omission to give such notice as aforesaid to or non-receipt thereof by, any Member or other person to whom it should be given, shall not invalidate the proceedings of any such Meeting.

## MEETING OF MEMBERS

<b>Title of Article</b>	<b>Article Number and contents</b>
Notice of business to be given	111. No General Meeting, Annual or Extra-Ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the Meeting.
Quorum	112. Five Members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite is present at the commencement of the Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a Member of the Company shall be deemed to be personally present if it is presented in accordance with Section 187 of the Act.
If quorum not present when Meeting to be dissolved and when to be adjourned	113. If within half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if called by or upon the requisition of the Members shall stand dissolved and in any other case the Meeting shall stand, adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjournment meeting also, a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum and may transact the business for which the Meeting was called.
Resolution passed at adjourned Meeting	114. Where a resolution is passed at an adjourned Meeting of the Company, the resolution for all purposes is treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.
Chairman of General Meeting.	115. At every General Meeting the Chair shall be taken by the Chairman of the Board of Directors. If at any Meeting, the Chairman of the Board of Directors is not present within ten minutes after the time appointed for holding the Meeting or though present, is unwilling to act as Chairman, the Vice Chairman of the Board of Directors would act as Chairman of the Meeting and if Vice Chairman of the Board of Directors is not present or, though present, is unwilling to act as Chairman, the Directors present may choose one of themselves to be a Chairman, and in default or their doing so or if no Directors shall be present and willing to take the Chair, then the Members present shall choose one of themselves, being a Member entitled to vote, to be Chairman.
Act for resolution sufficiently done or passed by Ordinary Resolution unless otherwise required.	115(A) Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently done so or passed if effected by an Ordinary Resolution unless either the Act or the Articles specifically require such act to be done or resolution be passed by a Special Resolution.
Business confined to election of Chairman whilst the Chair is vacant	116. No business shall be discussed at any General Meeting except the election of a Chairman whilst the Chair is vacant.
Chairman may adjourn Meeting	117. (a) The Chairman may with the consent of Meeting at which a quorum is present and shall if so directed by the Meeting adjourn the Meeting from time to time and from place to place. (b) No business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. (c) When a Meeting is adjourned for thirty days or more notice of the adjourned Meeting shall be given as in the case of an original Meeting. (d) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the



<b>Title of Article</b>	<b>Article Number and contents</b>
How questions are decided at Meetings	business to be transacted at any adjourned Meeting. 118. Every question submitted to a General Meeting shall be decided in the first instance by a show of hands unless the poll is demanded as provided in these Articles.
Chairman's declaration of result of voting on show of hands	119. A declaration by the Chairman of the Meeting that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceeding of the Company's General Meeting shall be conclusive evidence of the fact, without proof of the number or proportion of votes cast in favour of or against such resolution.
Demand of poll	120. Before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Member or Members present in person or by proxy and holding Shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the Person or Persons who made the demand.
Time of taking poll	121. A poll demanded on a question of adjournment or election of a Chairman shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the Meeting may direct and the result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.
Chairman's casting vote	122. In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.
Appointment of scrutineers	123. Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.

## **DIRECTORS**

<b>Title of Article</b>	<b>Article Number and contents</b>
Number of Directors	144. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.
First Directors	145. The persons hereinafter named shall be the first Directors of the Company:- (1) Mr. Pradip Karia (2) Mr. Chetan Karia (3) Mr. Vishal Karia
Debenture Directors	146. Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by



Title of Article	Article Number and contents
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	<p>rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.</p> <p>147.</p>
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<p>Nominee Director or Corporation Director</p>	<p>a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any Finance Corporation or Credit Corporation or to any Financing company or body, (which corporation or body is hereinafter in this Article referred to as “the corporation”) out of any loans granted or to be granted by them to the Company or so long as the corporation continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places.</p> <p>b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.</p> <p>c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall <i>ipso facto</i> vacate such office immediately on the moneys owing by the Company to the Corporation being paid off</p> <p>d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.</p> <p>e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation..</p>
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Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.

<p>Special Director</p>	<p>148.</p> <p>In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company , corporation ,firm or person herein-after in this clause referred to as “collaboration” to appoint from time to time any person as director of the company (hereinafter referred to as “special director”) and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the</p>
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Title of Article	Article Number and contents
	<p>collaboration arrangements or at any time thereafter.</p> <p>The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.</p> <p>It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more than one collaborator is so entitled there may be at any time as many special directors as the collaborators eligible to make the appointment.</p>
Limit on number of retaining Directors	149. The provisions of Articles 146, 147, 148 and 149 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 147 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.
Directors may fill in vacancies	151. The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.
Additional Directors	152. The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board (“Additional Director”) so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.
Qualification shares	153. A Director need not hold any qualification shares.
Directors’ sitting fees	154. The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.
Disqualification of the Director	162. A person shall not be capable of being appointed Director of the Company if:- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force; (b) he is an undischarged insolvent; (c) he has applied to be adjudged an insolvent and his application is pending; (d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence; (e) he has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or (f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.
Vacation of office by Directors	163. The office of Director shall become vacant if:- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or (b) he applies to be adjudged an insolvent; or (c) he is adjudged an insolvent; or (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect



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	<p>thereof to imprisonment for less than six months; or</p> <p>(e) he fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or</p> <p>(f) absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or</p> <p>(g) he (whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or</p> <p>(h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or</p> <p>(i) he becomes disqualified by an order of the Court under Section 203 of the Act; or</p> <p>(j) he is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or</p> <p>(k) if by notice in writing to the Company, he resigns his office, or</p> <p>(l) having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.</p> <p>164.</p>
Vacation of office by Directors (contd.)	<p>Notwithstanding anything contained in sub-clauses (c), (d) and (i) of Article 162 hereof, the disqualification referred to in these clauses shall not take effect:</p> <p>(a) for thirty days from the date of the adjudication, sentence or order;</p> <p>(b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or</p> <p>(c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.</p> <p>165.</p>
Removal of Directors	<p>(a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles by Ordinary Resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.</p> <p>(b) Special Notice as provided by these Articles or Section 190 of the Act, shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the Meeting at which he is removed.</p> <p>(c) On receipt of notice of a resolution to remove a Director under this Article; the Company shall forthwith send a copy; thereof to the Director concerned and the Director (whether or not he is a Member of a Company) shall be entitled to be heard on the resolution at the Meeting.</p> <p>(d) where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and requests their notification to Members of the Company, the Company shall, unless the representations are, received by it too late for it to do so:</p> <p>(i) in the notice of the resolution given to the Members of the Company state the fact of the representations having been made, and</p> <p>(ii) send a copy of the representations to every Member of the Company to whom notice of the Meeting is sent (before or after the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the Meeting; provided that copies of the representation need not be sent or read out at the Meeting if on the application, either of the Company or</p>



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	<p>of any other person who claims to be aggrieved by the Court is satisfied that the rights concerned by this sub-clause are being abused to secure needless publicity for defamatory matter.</p> <p>(e) A vacancy created by the removal of the Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board, in pursuance of Article 153 or Section 262 of the Act be filled by the appointment of another Director in his place by the Meeting at which he is removed, provided special notice of the intended appointment has been given under Article 163 hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.</p> <p>(f) If the vacancy is not filled under sub-clause(e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 153 or Section 162 of the Act, and all the provisions of that Article and Section shall apply accordingly</p> <p>(g) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.</p> <p>(h) Nothing contained in this Article shall be taken:-</p> <p>(i) as depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director, or</p> <p>(ii) as derogating from any power to remove a Director which may exist apart from this Article.</p> <p>166.</p>
Interested Directors not to participate or vote in Board's proceedings	<p>No Director shall as a Director take part in the discussion of or vote on any contract arrangement or proceedings entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, not shall his presence count for the purpose of forming a quorum at the time of any such discussion or voting, and if he does vote, his vote shall be void. Provided however, that nothing herein contained shall apply to:-</p> <p>(a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;</p> <p>(b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely;</p> <p>(i) in his being:</p> <p>(a) a director of such company; and</p> <p>(b) the holder of not more than shares of such number of value therein as is requisite to qualify him for appointment as a director, thereof, he having been nominated as director by the company, or</p> <p>(ii) in his being a member holding not more than two percent of its paid-up share capital.</p> <p>167.</p>
Director may be director of companies promoted by the Company	<p>A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.</p>

## ROTATION AND APPOINTMENT OF DIRECTORS

Title of Article	Article Number and contents
Rotation of Directors	<p>169.</p> <p>Not less than two third of the total number of Directors shall (a) be persons whose period of the office is liable to termination by retirement by rotation and (b) save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.</p>
Retirement of	<p>170.</p> <p>Subject to the provisions of Articles 148 and 150, the non-retiring Directors should be appointed by</p>





<b>Title of Article</b>	<b>Article Number and contents</b>
Directors	the Board for such period or periods as it may in its discretion deem appropriate. 171.
Retiring Directors	Subject to the provisions of Section 256 of the Act and Articles 146 to 153, at every Annual General Meeting of the Company, one-third or such of the Directors for the time being as are liable to retire by rotation; or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. The Debenture Directors, Nominee Directors, Corporation Directors, Managing Directors if any, subject to Article 184, shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles a "Retiring Director" means a Director retiring by rotation. 172.
Appointment of Technical or Executive Directors	a) The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors. b) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid. 173.
Ascertainment of Directors retiring by rotation and filling of vacancies	Subject to Section 288 (5) of the Act, the Directors retiring by rotation under Article 174 at every Annual General Meeting shall be those, who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves be determined by the lot. 174.
Eligibility for re-election	A retiring Director shall be eligible for re-election and shall act as a Director through out and till the conclusion of the Meeting at which he retires. 175.
Company to fill vacancies	Subject to Sections 258, 259 and 294 of the Act, the Company at the General Meeting, at which a Director retires in manner aforesaid, may fill up the vacancy by appointing the retiring Director or some other person thereto. 176.
Provision in default of appointment	(a) If the place of retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place. (b) If at the adjourned Meeting also, the place of the retiring Director is not filled up and the Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting, unless: (i) at that Meeting or the previous Meeting a resolution for the re-appointment of such Director has been put to the Meeting and lost.  (ii) the retiring Director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed. (iii) he is not qualified or is disqualified for appointment (iv) a resolution, whether Special or Ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or (v) the provision of the sub-section (2) of section 263 of the Act is applicable to the case. 177.
Company may increase or reduce the number of Directors or remove any Director	Subject to the provisions of Section 252,255 and 259 of the Act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors and may alter qualifications. 178.
Appointment of	(a) No motion, at any General Meeting of the Company shall be made for the appointment of two or more



<b>Title of Article</b>	<b>Article Number and contents</b>
Directors to be voted individually	persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the Meeting without any vote being given against it. (b) A resolution moved in contravention of clause (a) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided where a resolution so moved has passed no provisions or the automatic re-appointment of retiring Directors in default of another appointment as therein before provided shall apply. (c) For the purposes of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

## MANAGING DIRECTOR

<b>Title of Article</b>	<b>Article Number and contents</b>
Powers to appoint Managing Director	182. Subject to the provisions of Section 267, 268, 269, 316 and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors or Wholetime Directors of the Company, for a fixed term not exceeding five years as to the period for which he is or they are to hold such office, and may, from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places. (a) The Managing Director shall perform such functions and exercise such powers as are delegated to him by the Board of Directors of the Company in accordance with the provisions of the Companies Act, 1956. (b) Subject to the provisions of Sections 255 of the Act, the Managing Director shall not be while he continues to hold that office, subject to retirement by rotation.
Special position of Managing Director	184. Subject to any contract between him and the Company, a Managing or Wholetime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, <i>ipso facto</i> and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause. 186. The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Wholetime Director or Wholetime Directors of the Company and may exercise all the powers referred to in these Articles. 187. Receipts signed by the Managing Director for any moneys, goods or property received in the usual course of business of the Company or for any money, goods, or property lent to or belonging to the Company shall be an official discharge on behalf of and against the Company for the money, funds or property which in such receipts shall be acknowledged to be received and the persons paying such moneys shall not be bound to see to the application or be answerable for any misapplication thereof. The Managing Director shall also have the power to sign and accept and endorse cheques on behalf of the Company. 188. The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit. 189. Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.



<b>Title of Article</b>	<b>Article Number and contents</b>
Appointment and powers of Manager	189A The Board may, from time to time, appoint any Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they may think fit, and may, confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient.

## **POWERS OF THE BOARD**

<b>Title of Article</b>	<b>Article Number and contents</b>
General powers of management vested in the Board of Directors	203. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.  Provided that the Board shall not, except with the consent of the Company in General Meeting :-  (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;  (b) remit, or give time for the repayment of, any debt due by a Director,  (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;  (d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;  (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body; (i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e) (ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature. 204. Certain powers to be exercised by the Board
	(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only



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only at Meetings	<p>by means of resolutions passed at the meeting of the Board;</p> <p>(a) the power to make calls, on shareholders in respect of money unpaid on their Shares,</p> <p>(b) the power to issue Debentures,</p> <p>(c) the power to borrow moneys otherwise than on Debentures,</p> <p>(d) the power to invest the funds of the Company, and</p> <p>(e) the power to make loans</p> <p>Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:</p> <p>(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.</p> <p>(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.</p> <p>(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.</p> <p>205.</p>
Certain powers of the Board	<p>Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:</p> <ol style="list-style-type: none"><li>1. To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.</li><li>2. To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.</li><li>3. Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.</li><li>4. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.</li><li>5. To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.</li><li>6. To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed.</li><li>7. To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.</li><li>8. To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe</li></ol>

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and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon.

9. To act on behalf of the Company in all matters relating to bankruptcy and insolvency, winding up and liquidation of companies.

10. To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.

11. Subject to the provisions of Sections 291, 292, 295, 370,372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being Shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.

12. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.

13. To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.

14. To distribute by way of bonus amongst the staff of the Company a Share or Shares in the profits of the Company and to give to any, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of the working expenses of the Company.

15. To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise.

16. Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and



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with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of redeemable preference shares or debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

17. To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.

18. To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.

19. From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.

20. Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.

21. At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.

22. Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.

23. From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.

24. To purchase or otherwise acquire any land, buildings, machinery, premises,

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<b>Title of Article</b>	<b>Article Number and contents</b>
	hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.
	25. To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
	26. To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported-by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
	27. To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.
	28. To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.
	29. From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.
	30. To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.
	31. To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.
	32. To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.
	33. Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.
	34. To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.

## **DIVIDENDS AND CAPITALISATION OF RESERVES**

<b>Title of Article</b>	<b>Article Number and contents</b>
Division of profits	212. (a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares.



<b>Title of Article</b>	<b>Article Number and contents</b>
	(b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares. 213.
The Company at General Meeting may declare dividend	The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting. 214.
Dividends out of profits only	No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act. 215.
Interim dividend	The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies. 216.
Debts may be deducted	(a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists. (b) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same. 217.
Capital paid-up in advance to carry interest, not the right to earn dividend	Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits. 218.
Dividends in proportion to amounts paid-up	All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly. 219.
No Member to receive dividend while indebted to the Company and the Company's right in respect thereof	No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company. 220.
Effect of transfer of Shares	A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer. 221.
Dividend to joint holders	Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares. 222.
Dividend how remitted	The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means. 223.
Notice of dividend	Notice of the declaration of any dividend whether interim or otherwise shall be given to the





Title of Article	Article Number and contents
Reserves	<p>registered holders of Share in the manner herein provided.</p> <p>224.</p> <p>The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.</p>
Dividend to be paid within time required by law.	<p>225.</p> <p>The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-</p> <p>(a) where the dividend could not be paid by reason of the operation on any law; or</p> <p>(b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or</p> <p>(c) where there is dispute regarding the right to receive the dividend; or</p> <p>(d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or</p> <p>(e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.</p>
Unpaid or unclaimed dividend	<p>226.</p> <p>Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, to any shareholder entitled to the payment of dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called “Pradip Overseas Limited _____ (year) Unpaid Dividend Account”.</p> <p>Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.</p> <p>No unclaimed or unpaid dividend shall be forfeited by the Board.</p>
Set-off of calls against dividends	<p>227.</p> <p>Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.</p>
Dividends in cash	<p>228.</p> <p>No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.</p>
Capitalisation	<p>229.</p> <p>(1)The Company in General Meeting may, upon the recommendation of the Board, resolve:</p> <p>(a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and</p> <p>(b)that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst</p>



<b>Title of Article</b>	<b>Article Number and contents</b>
	<p>the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.</p> <p>(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;</p> <p>(a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or</p> <p>(b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or</p> <p>(c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b)</p> <p>(3) A security premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.</p> <p>230.</p>
Board to give effect	<p>The Board shall give effect to the resolution passed by the Company in pursuance of above Article.</p> <p>231.</p>
Fractional certificates	<p>(1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;</p> <p>(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares and</p> <p>(b) Generally do all acts and things required to give effect thereto.</p> <p>(2)The Board shall have full power:</p> <p>(a) to make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also</p> <p>(b) to authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf by the application thereof of the respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing Shares.</p> <p>(3) Any agreement made under such authority shall be effective and binding on all such Members.</p> <p>(4)That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.</p>

## ACCOUNTS

<b>Title of Article</b>	<b>Article Number and Contents</b>
Statements of accounts to be furnished to General Meeting	<p>234.</p> <p>The Board of Directors shall from time to time in accordance with Sections 210, 211, 212, 216 and 217 of the Act, cause to be prepared and laid before each Annual General Meeting a profit and loss account for the financial year of the Company and a balance sheet made up as at the end of the financial year which shall be a date which shall not precede the day of the Meeting by more than six months or such extended period as shall have been granted by the Registrar under the provisions of the Act.</p> <p>236.</p>
Accounts to be audited	<p>Once at least in every year the accounts of the Company shall be examined, balanced and audited and the correctness of the profit and loss Account and the balance sheet ascertained by one or more Auditor or Auditors.</p>



## REGISTERS AND DOCUMENTS

Title of Article	Article Number and Contents
Registers and documents to be maintained by the Company	<p>243.</p> <p>The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:</p> <p>(a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act</p> <p>(b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.</p> <p>(c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act.</p> <p>(d) Foreign register, if so thought fit, as required by Section 157 of the Act</p> <p>(e) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act.</p> <p>(f) Register of Directors and Secretaries etc. as required by Section 303 of the Act.</p> <p>(g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act.</p> <p>(h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.</p> <p>(i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.</p> <p>(j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.</p>
Inspection of Registers	<p>244.</p> <p>The registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in the case of the Register of Members of the Company provided for in clause (c) thereof. Copies of entries in the registers mentioned in the foregoing article shall be furnished to the persons entitled to the same on such days and during such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.</p>

## WINDING UP

Title of Article	Article Number and Contents
Distribution of assets	<p>245.</p> <p>If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the Shares held by them respectively, and if in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.</p>
Distribution in specie or kind	<p>246.</p> <p>(a) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidator, with the like sanction, shall think fit.</p> <p>(b) If thought expedient any such division may subject to the provisions of the Act be otherwise</p>



Title of Article	Article Number and Contents
Right of shareholders in case of sale	<p>than in accordance with the legal rights of the contributions (except where unalterably fixed by the Memorandum of Association and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.</p> <p>(c) In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable act accordingly.</p> <p>247. A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.</p> <p>248.</p>
Directors and others right to indemnity	<p>Subject to the provisions of Section 201 of the Act, every Director of officer, or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as Auditor, shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, charges, losses and damages which any such person may incur or become liable to pay by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such if any as he shall incur or sustain through or by his own wrongful act, neglect or default) including expenses, and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, officer or Auditor or other office of the Company in defending any proceedings whether civil or criminal in which judgment is given in his favour, or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.</p> <p>249.</p>
Director, officer not responsible for acts of others	<p>Subject to the provisions of Section 201 of the Act no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damages arising from the insolvency or tortuous act of any person, firm or Company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgment, omission, default or oversight on his part of for any other loss, damage, or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.</p>

## SECRECY CLAUSE

Title of Article	Article Number and Contents
Secrecy Clause	<p>250.</p> <p>Every Director/Manager, Auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant or any other person-employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself, to observe a strict secrecy respecting all transactions and affairs of the Company with the Company customers and the state of the accounts with individuals and in matter thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required to do so by the Directors or by law or by the person to whom such matters relate</p>



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and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

251.

No Member to enter the premises of the Company without permission

No Member or other person (not being a Director) shall be entitled to visit or inspect any property or premises of the Company without the permission of the Board of Directors or Managing Director, or to inquire discovery of or any information respecting any details of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

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## SECTION – XI

### OTHER INFORMATION

#### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two (2) years before the date of filing of the Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus will be delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at A/601, Narnarayan Complex, Near Swastik Cross Roads, Navrangpura, Ahmedabad - 380 009, Gujarat, India, from date of filing the Red Herring Prospectus with RoC to Bid / Issue Closing Date on working days from the date of filing of the Red Herring Prospectus until the date of closure of the Issue.

#### Material Contracts

1. Letter of Engagement dated February 11, 2010 among our Company and the BRLM offering their services to act as BRLM and Company's acceptance thereto.
2. Memorandum of Understanding dated February 11, 2010 between our Company and the BRLM.
3. Memorandum of Understanding dated October 23, 2008 between our Company and Link Intime India Private Limited as Registrar to this Issue.
4. Escrow Agreement dated February 26, 2010 between our Company, the BRLM, Syndicate Member and the Registrar to the Issue.
5. Syndicate Agreement dated February 26, 2010 between our Company, BRLM, and the Syndicate Member.
6. Underwriting Agreement dated [●] between our Company, BRLM and the Syndicate Member.

#### Material Documents

1. The Memorandum and Articles of Association of our Company, as amended from time to time.
2. Certificate of Incorporation of our Company dated June 29, 2005 and fresh Certificates of Incorporation issued to our Company consequent to change(s) of name dated August 09, 2006 and October 01, 2007.
3. Annual General Meeting resolution dated August 18, 2008 and the resolution of the Board dated June 18, 2008 authorising the Issue.
4. Copies of the annual reports of our Company for the years ended March 31, 2006, 2007, 2008 and 2009.
5. Copy of the tax benefit report dated February 15, 2010 of M/s. Ashok Dhariwal & Co., Chartered Accountants.
6. Report of the Statutory Auditors dated February 15, 2010 from M/s. Ashok Dhariwal & Co., Chartered Accountants on the restated financial statements of our Company for the years ended March 31, 2006, 2007, 2008, 2009 and for the nine (9) months ended December 31, 2009.
7. Copy of Certificate of funds deployment for the Project as of January 31, 2010 dated February 15, 2010 from M/s. Ashok Dhariwal & Co., Chartered Accountants.
8. Copy of Certificate for internal accruals of our Company as on December 31, 2009 issued by our Statutory Auditors M/s. Ashok Dhariwal & Company, Chartered Accountants dated February 15, 2010.



9. Financial Appraisal Report and Re-Appraisal Report for our Project by Dena Bank dated September 11, 2008 and August 18, 2009 alongwith letter to Dena Bank dated November 23, 2008 for changes/corrections in the same.
10. Trusteeship declaration dated October 23, 2008 and February 19, 2010 executed by Mr. Ramesh Karia for the properties admeasuring 33388 square meters and 70,499 square meters respectively held by him for our Company in trust.
11. Sanction letters of Dena Bank dated September 23, 2008 and September 08, 2009, Allahabad Bank sanction letter dated August 24, 2009 and State Bank of India sanction letters dated October 08, 2008 and July 18, 2009.
12. IPO Grading Report of ICRA Limited dated February 26, 2010.
13. Resolutions for increase in remuneration of our current Executive Directors, namely Mr. Pradipkumar Karia, Chairman-cum-Managing Director, Mr. Chetan Karia, Wholetime Director and Mr. Vishal Karia, Wholetime Director.
14. Consents in writing of: our Directors; our Company Secretary and Compliance Officer; the Auditors; Bankers to our Company; Bankers to the Issue; Refund Bank(s); BRLM; Syndicate Members; IPO Grading Agency; the Registrar of the Issue, to act in their respective capacities.
15. Initial listing applications dated [●] and [●] filed with the BSE and the NSE.
16. In-principle listing approvals from BSE dated April 29, 2009 and the NSE dated June 08, 2009.
17. Tripartite agreement among the NSDL, our Company and Link Intime India Private Limited dated June 12, 2008.
18. Tripartite agreement among the CDSL, our Company and Link Intime India Private Limited dated January 29, 2009.
19. Due Diligence Certificate dated February 16, 2010 to SEBI from the BRLM.
20. SEBI observation letter no. CFD/DIL/ISSUES/SP/VG/181273/2009 dated October 29, 2009.
21. Scheme of Arrangement, order of High Court Gujarat at Ahmedabad dated August 17, 2007 sanctioning the Scheme of Arrangement and proof of filing of the same with the RoC on September 19, 2007.
22. Letter of Approval dated November 24, 2008 bearing no. F.1/267/2007-SEZ issued by Ministry of Commerce and Industry , Department of Commerce (SEZ Section) in favour of our Company for setting up of the Proposed Textile SEZ.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



## DECLARATION

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in the Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules, regulations or guidelines issued thereunder, as the case may be. We further certify that all the disclosures and statements made in the Red Herring Prospectus are true and correct.

### SIGNED BY ALL THE DIRECTORS OF PRADIP OVERSEAS LIMITED

Sr. No.	Name of Director	Designation	Signature
1.	Mr. Pradipkumar Karia	Chairman-cum-Managing Director	
2.	Mr. Chetan Karia	Whole time Director	
3.	Mr. Vishal Karia	Whole time Director	
4.	Mr. Jivan Singh Negi	Independent Director	
5.	Mr. Sudhir Jumani	Independent Director	
6.	Mr. Ramdas Gurpur Kamath	Independent Director	

### SIGNED BY THE MANAGING DIRECTOR

Mr. Pradipkumar Karia

### SIGNED BY THE PRESIDENT

Mr. Amit Thakkar

### SIGNED BY THE COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Kaushik Kapadia

Place: Ahmedabad

Date: February 27, 2010