RED HERRING PROSPECTUS
Dated November 6, 2006
Please read section 60B of the Companies Act, 1956
(The Red Herring Prospectus will be updated upon filing with the ROC)
100% Book Built Issue

Blue Bird (India) Limited

(Our Company was originally incorporated as Anil Apporv Printers & Manufacturers Private Limited on July 23, 1999. We subsequently changed the name of our Company to Blue Bird (India) Private Limited and later on to Blue Bird (India) Limited pursuant to a resolution of the shareholders passed at an extraordinary general meeting on February 19, 2005.The fresh certificate of incorporation consequent on change of name was granted to our Company on March 2, 2005 and subsequently again on March 4, 2005 by the Registrar of Companies, Maharashtra at Pune. See “History and Corporate Structure” on page 64 of this Red Herring Prospectus for further details)

Registered Office and Corporate Office: 759/74, Prabhat Road
Deccan Gymkhana, Pune- 411 004
Tel: (91 20) 2567 6163; Fax: (91 20) 2567 6164; Email: bluebird@bluebirdpune.com; Website: www. bluebirdpune.com
Compliance Officer: David P. Kunder

PUBLIC ISSUE OF 8,775,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF Rs [•] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF Rs. [•] PER EQUITY SHARE AGGREGATING Rs. [•] MILLION (“THE ISSUE”) BY BLUE BIRD (INDIA) LIMITED (“THE COMPANY” OR “THE ISSUER”). THE ISSUE WOULD CONSTITUTE 25.07% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. PRICE BAND: RS. 90 TO RS. 105 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH.

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicate.

The Issue is being made through the 100% book building process wherein upto 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [•] times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager on the basis of assessment of market demand for the Equity Shares offered by way of book build’ing) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the 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 the Issuer and the Issue including the risks involved. The Equity Shares offered in the 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 this Red Herring Prospectus. Specific attention of the investors is invited to the section titled “Risk Factors” on page xi of this Red Herring Prospectus.

COMPANY’S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this 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 this 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 ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated September 15, 2006 and October 5, 2006, respectively. For purposes of this Issue, the Designated Stock Exchange is NSE.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India Tel: (91 22) 2262 1071 Fax: (91 22) 2262 1187 Email: bbil_ipo@ml.com Website: www.dspml.com Contact Person: N. S. Shekhar	**Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078, India Tel. : (91 22) 2596 0320 Fax. : (91 22) 2596 0329 Email: bluebird-ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Sachin Achar

BID/ISSUE OPENS ON:	NOVEMBER 16, 2006	ISSUE CLOSES ON:	NOVEMBER 22, 2006

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
“We”, “us”, “our”, “Issuer”, “the Company” “our Company”, “Blue Bird”.	Unless the context otherwise indicates or implies, refers to Blue Bird (India) Limited

Company Related Terms

Term	Description
Articles	Articles of Association of our Company
Auditors	The statutory joint auditors of our Company, M/s. Jayant V. Kolapkar. & Co. and M/s. Shashank Patki and Associates, Chartered Accountants
Board/ Board of Directors	Board of Directors of our Company
Directors	Directors of our Company, unless otherwise specified
Memorandum	Memorandum of Association of our Company
Registered Office of the Company	759/74, Prabhat Road, Deccan Gymkhana, Pune - 411 004

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue or transfer of Equity Shares, pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued or transferred
Banker(s) to the Issue	The Banks which are clearing members and registered with SEBI as Bankers to Issue with whom the Escrow Account will be opened and in this case being UTI Bank Ltd, HDFC Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
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 in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of the Red Herring Prospectus and the Bid cum Application Form

Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue 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/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLM	Book Running Lead Manager to the Issue in this case being DSPML
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Co-Manager	Co- Manager to the Issue in this case being Indbank Merchant Banking Services Limited
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLM
DSPML	DSP Merrill Lynch Limited having its registered office at Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
Designated Date	The date on which funds are transferred from the Escrow Account 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	NSE
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by our Company, the Registrar, BRLM, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being UTI Bank Limited, HDFC Bank Limited, Standard Chartered Bank and The Hong Kong and Shanghai Banking Corporation Limited
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted

Issue	The issue of 8,775,000 Equity Shares at the Issue Price by the Company pursuant to this Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date
Issue Size	8,775,000 Equity Shares to be issued to the Investors at the Issue Price
Lead Manager	Lead Manager to the Issue in this case being Karvy Investor Services Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Monitoring Agency	Indian Bank
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion or 219,375 Equity Shares (assuming the QIB Portion is for 50% of the Issue) available for allocation to Mutual Funds only, out of the QIB Portion
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non Institutional Portion	The portion of the Issue being 1,316,250 Equity Shares available for allocation to Non Institutional Bidders
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(a) 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 (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. 90 and the maximum price (cap of the price band) of Rs. 105 and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price
Promoters	Nitin P. Sontakke and Vidya N. Sontakke
Promoter Directors	Nitin P. Sontakke and Vidya N. Sontakke
Promoter Group	Unless the context otherwise requires, refers to those individuals/ companies/entities mentioned in the section titled "Our Promoters and Promoter Group" on page 79 of this Red Herring Prospectus
Prospectus	The Prospectus to be filed with the ROC in terms of Section 60 of the Companies Act, containing, *inter alia*, 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 on the Designated Date

QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue being 4,387,500 Equity Shares to be allotted to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited, having its registered office as indicated on the cover page.
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being 3,071,250 Equity Shares available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus which will be filed with ROC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date
Shareholders Agreement	Agreement between India China Pre-IPO Equity (Mauritius) Limited, the Company, the Promoters, Asha P. Sontakke & Apoorv N. Sontakke
Share Purchase Agreement	Agreement between India China Pre-IPO Equity (Mauritius) Limited, the Company, the Promoters, Asha P. Sontakke & Apoorv N. Sontakke
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and the Syndicate Member
Syndicate Agreement	Agreement between the Syndicate and the Company in relation to the collection of Bids in this Issue
Syndicate Members	Karvy Stock Broking Limited
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Member
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company to be entered into on or after the Pricing Date

Conventional and General Terms

Term	**Description**
Act or Companies Act	Companies Act, 1956 and amendments thereto
Depositories Act	Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996

FII(s)	Foreign Institutional Investors (as defined under the FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Indian GAAP	Generally Accepted Accounting Principles in India
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
OCB	Means and includes an entity defined in Clause (xi) of Regulation 2 of the Foreign Exchange Management (Deposit) Regulations, 2000 and which was in existence on the date of commencement of the Withdrawal of General Permission to Overseas Body Corporate Regulations, 2003 and immediately prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Foreign Exchange Management (Deposit) Regulations, 2000
Stock Exchange(s)	BSE and/ or NSE as the context may refer to

Technical and Industry Terms

Term	**Description**
MT	Metric Tonne
GSM	Grams Per Square Meter
FMCG	Fast moving consumer goods
IPAMA	Indian Printing, Packaging and Allied Machinery Manufacturers' Association

Abbreviations

A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto

FII(s)	Foreign Institutional Investors
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI/Government	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IFSC	Indian Financial System Code
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
Mn/mn	Million
MICR	Magnetic Ink Character Recognition
NA	Not Applicable
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act; 1961,
PIO	Persons of Indian Origin
RBI	The Reserve Bank of India
ROC	Registrar of Companies
RONW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
US / USA	United States of America
USD or $ or US $	United States Dollar

CERTAIN CONVENTIONS; USE OF INDUSTRY AND MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with the SEBI Guidelines included in this Red Herring Prospectus or our audited financial statements. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

Defined terms and the respective definitions are set forth in the section titled "Definitions and Abbreviations" on page iii of this Red Herring Prospectus. In the section titled "Main Provisions of Articles of Association", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market and industry data used in this Red Herring Prospectus has been obtained or derived from industry publications and sources. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured and accordingly, no investment decisions should be made based on such information. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Further, the extent to which the market and industry data presented in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also 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, the following:

- General economic and business conditions in India;
- Our ability to successfully implement our strategy, as well as growth and expansion plans;
- Increasing competition and the conditions of our clients, suppliers and the printing and note book making industry;
- Changes in laws and regulations;
- Changes in the value of the Rupee and other currencies;
- Changes in political conditions in India.

For further discussion of factors that could cause our actual results to differ, see the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" on pages xi and 109 of this Red Herring Prospectus respectively. Neither our Company, nor the BRLM, nor any member of the Syndicate nor any of their respective affiliates has 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 the grant of listing and trading permission by the Stock Exchanges.

SECTION II- RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

Internal Risk Factors and Risks Relating to our Business

We face intense competition, and if we are not able to compete effectively in the notebooks and stationery industry, our business, results of operations and financial condition will be adversely affected.

During fiscal 2006, notebooks and stationery sales accounted for 87.9% of our total revenue. We face intense competition from both the organised and unorganised segments of the notebook and stationery industry in India. According to AC Nielsen ORG-MARG report "Market Study on Paper-based Notebook Products", it is estimated that only 15% to 20% of the stationery industry in India is organised. As the industry becomes more organised, we will face increasing competition from the organised segments of the market. Moreover, as we expand into new markets, we may be unable to compete with organised or unorganised competitors in these new markets. Moreover, if the Government of India were to relax import restrictions, the possible resulting increase of imports from other countries, particularly in the southeast Asian region and China, of high-quality, inexpensive notebooks could create increased competitive pressures on us to provide higher quality products at lower prices. Although we are currently working to build our "Blue Bird" brand and increase brand recognition in order to help us compete with both organised competitors and to distinguish ourselves from competitors in the unorganised sector, we cannot assure you that this initiative will be successful. Moreover, although we have competed successfully in the past, we cannot be certain that we will continue to compete effectively. As a result, we may lose market share and sales revenue to our competitors and our business, results of operations and financial condition could be adversely affected.

Many of our sales are on payment terms averaging approximately 90 days. This may cause us to encounter cash flow difficulties that may adversely affect our business or results of operations.

A significant portion of our sales of notebooks and stationery, as well as published materials and commercial printing orders are made on payment terms averaging approximately 90 days. We estimate that approximately 78.6% and 72.4% of our sales revenue was made on such a basis in fiscal 2006 and fiscal 2005, respectively. However, we do not enjoy similarly favourable 90-day payment terms with our suppliers and are generally required to pay our suppliers, including our suppliers of raw materials such as paper, in less than 90 days. As a result, our receipts lag behind the expenses associated with sales to the extent we are required to pay for supplies before we receive payment for our products. This has caused us to experience negative operating cash flow, and we expect to continue to experience negative operating cash flow or difficulties with operating cash flow, particularly if we encounter a sudden increase in demand for our products or otherwise need to increase our production levels rapidly. If we are unable to meet our immediate cash needs through our sales because of the imbalance of terms, we have and may continue to be required to borrow short-term funds, which may not be on favourable terms or to forego opportunities to sell more products if no such funds are available on economic terms. Although we are currently able to borrow short-term funds on what we believe are reasonable terms, we may not be able to continue to borrow on such terms. Such difficulties may adversely affect our business or results of operations.

Our business is dependent on the supply and cost of quality paper.

Paper forms the major raw material for our business, and represents a significant portion of our expenses. For fiscal 2006, fiscal 2005 and fiscal 2004, paper cost as a percentage of total raw material cost (for in-house production only) amounted to 73.5%, 75.6% and 78.9%, respectively. Although we have established relationships with various domestic suppliers of paper, we have no long-term supply contract for the supply of paper. We rely on domestic suppliers for our supplies of paper, which we order to meet our specific requirements as needed. Any significant increase in the price of paper or decrease in the availability of paper for whatever reason, including in the availability of paper of an appropriate quality for our products, could adversely affect our results of operations. Although we have not experienced a disruption in our supply of paper in the past, an inadequate supply of paper of sufficient quality caused either by the default of the supplier or for any other reason could hamper our operations. Although we may seek to pass on some or all of the additional costs of paper that we encounter, for whatever reason, to customers or to provide our products with reduced qualities of paper, we cannot assure you that we would be successful in doing so. This may adversely affect our business and results of operations.

Any inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced significant growth in our total restated income in recent years. Our total restated income has grown from Rs. 522.55 million in fiscal 2002 to Rs. 4,016.99 million in fiscal 2006. We expect this growth to place significant demands on both our management and our resources. This will require us to evolve and improve our operational, financial and internal controls across our organisation. In particular, continued expansion increases the challenges involved in recruiting, training and retaining sufficient skilled technical, sales and management personnel; adhering to our quality and process execution standards; maintaining high levels of customer satisfaction; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems. Any inability to manage growth may have an adverse effect on our business, results of operation and financial condition.

We are dependant on sales in a single geographic region, and any impairment to our ability to do business in that region may adversely affect our business or results of operations.

During fiscal 2006 and 2005, 96.9% and 97.9% of our revenues were derived from sales to customers in the state of Maharashtra and western India. We are, therefore, presently dependant on sales within this geographic region, and any impairment to our ability to do business in the region, whether as a result of natural disasters affecting the region or otherwise, may adversely impact our sales revenues, our business and our results of operations. Although we have begun to implement a program to diversify our business geographically and expand our presence in regions beyond the state of Maharashtra and western India, which we believe will reduce our dependence on one region, we cannot assure you that we will be successful in doing so or that we will be able to do so sufficiently to reduce the dependence on one region significantly or at all.

We are dependant on a single product category for a predominant proportion of our revenues, and any disruption to the market for such products or our position in the market may adversely affect our business or results of operations.

We depend on the sale of notebooks for a predominant proportion of our revenues. During fiscal 2006 and 2005, 87.9% and 89.3% of our revenues were derived from sales of notebooks. Any disruption in the market for notebooks or our position in that market, including the introduction of new student/exercise book products that we are not able to offer, the entry into the market of new or the growth of existing competitors (whether domestic or international) or otherwise, may adversely impact our sales revenues, our business and our results of operations. Although we have begun to implement a program to diversify our business by introducing new product lines, both for stationery and in commercial printing and publishing, which we believe will reduce our dependence on notebooks sales, we cannot assure you that we will be successful in doing so or that we will be able to do so sufficiently to reduce our dependence on the student/exercise book product category significantly or at all.

If our expansion into new geographic and business markets in India is unsuccessful, it may have an adverse effect on our business or results of operations.

A key part of our business plan is our continued expansion into new geographic and business markets. We plan to expand our business by expanding our geographic reach to new markets within India by establishing a manufacturing facility in southern India and by building a network of approximately 100 additional regional offices over the next five years. The unorganised segment of the Indian notebooks and stationery industry is intensely localised, whilst the organised sector is largely regionalised or nationwide in character, with different brands having strengths in different regions. As a result, as we continue our geographic expansion, we will be competing largely with well established players in regions where we have not previously had a significant presence. Although we have already begun to establish a presence in southern India, we cannot assure you that we will be able to successfully penetrate this region. If we are unable to attract adequate customers in those geographic areas where we are expanding, it may have an adverse effect on our business or results of operations.

In addition, we also plan to expand our non-notebooks stationery business, including premium stationery products and our commercial printing and publishing businesses, which we believe will yield higher margins than the sale of notebooks, where our revenues are currently concentrated. To further expand our operations in these areas, we will need to invest in new staff and infrastructure facilities. The non-notebooks stationery business is currently fragmented, with unorganised players predominating. The commercial printing and publication industries in India are intensely competitive and dominated by players that are more experienced and established in these fields. If we are unable to attract adequate customers for our expanded non- notebooks product offerings, these business lines could incur losses and adversely affect our business or results of operations.

Our entry into the sub-Saharan African export market may consume management attention at the expense of focus on our other operations or be unsuccessful, which could have an adverse effect on our results of operations and financial condition.

During fiscal 2005, we began to export certain categories of our products to Ghana, Kenya and South Africa. Our export sales represented 2.0% and 0.8% of total sales in fiscal 2006 and 2005, respectively. Expansion into the sub-Saharan African export market requires the investment of a substantial amount of time by our directors and other senior management to establish relationships and create sales opportunities in the region. During fiscal 2006, our directors made several trips to various countries in sub-Saharan Africa as part of the expansion effort. The efforts required to establish our export operations in sub-Saharan African may distract management time and attention from either or both of our current business operations or our planned expansion within India. Moreover, our efforts to expand into the sub-Saharan African market may not yield benefits or may be impacted by matters beyond our control, including political conditions in sub-Saharan Africa, available infrastructure and natural catastrophes, and we may not achieve meaningful revenues from our export business in the near- to medium-term, or at all.

Our business is dependent on our manufacturing facility and the loss of or shutdown of operations of the manufacturing facility on any grounds listed herein could adversely affect our business or results of operations.

Our manufacturing facility is subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. Our manufacturing facility uses heavy equipment and machinery, and whilst that equipment and machinery is insured, the breakdown or failure of such equipment or machinery may result in us having to make repairs or procure replacements, which may take considerable time or expense. Moreover, whilst we have established a back-up power supply, we cannot assure you that it will be effective in all instances or that it could be sustained in extended disruptions to our power supply. Any disruption to the power supply could therefore cause a similar disruption to our manufacturing operations and our business. Accordingly, any significant operational problems or the loss of our manufacturing facilities for an extended period of time could adversely affect our business or results of operations.

Although we plan to build an additional manufacturing facility in southern India, we cannot assure you that we will be able to successfully build these additional manufacturing facilities according to our plans. Moreover, even if we succeed in establishing the southern India facility, we cannot assure you that we will be able to reallocate work among unaffected facilities in the event of a loss or shutdown of operations at any of our manufacturing facilities.

We depend on a limited number of suppliers for our printing equipment and related component parts. Any problem with this equipment or these suppliers could have an adverse effect on our business or results of operations.

Our manufacturing facility is equipped with printing and other equipment manufactured by a limited number of manufacturers in Germany, Japan and India. Each piece of equipment is integrated into our manufacturing process. We rely on the manufacturers of the equipment to provide us with components and replacement parts for our printing and related equipment. Although newly acquired equipment is typically covered by a one- to two-year warranty by the manufacturer, we do not purchase extended warranties after that period and much of our equipment is not currently covered by warranty. If we encounter difficulties with our equipment and the manufacturers are unwilling or unable to assist us in correcting such difficulties in a timely fashion or at all, or if any of the manufacturers were to stop supporting such equipment in India or were to go out of business, we could face serious disruption in our operations. Although we might be able to acquire alternative equipment or outsource some of our production, we might be able to do so only at significant expense or encounter significant delays in doing so, causing disruption to our printing and manufacturing operations. Moreover such alternative equipment might not meet the same quality standards as our current equipment and might require us to retrain some of our employees. Such costs, lower quality or disruptions could have an adverse effect on our business or results of operations.

Our cash collection and inventory control systems may be inadequate to monitor or regulate fraud, pilferage, misappropriation or accounting errors.

We estimate that approximately 26.0% to 30.0% of our collections from sales of note books, stationery and published materials were made in cash in fiscal 2006 and fiscal 2005, respectively. Our sales executives use our delivery vans to transport cash collected from retailers to our regional offices while simultaneously using these vans to deliver products to the retailers. Cash transported in this manner is highly susceptible to theft or loss. We cannot directly monitor whether all cash collected by our sales executives is paid to us, which also creates the risk that we experience undetected fraud and misappropriation by our sales executives. We seek to monitor inventory to help monitor cash collection, pilferage and other fraud. However, because our inventory management system has not been networked amongst our regional offices, it may not be adequate for such purposes. Although we plan to implement networked computer-based inventory management to better coordinate our inventory, particularly at the regional office level, we cannot assure you that we have or will in the future have sufficient controls on cash or inventory to monitor or regulate fraud, pilferage, misappropriation or accounting errors.

We are dependant on our senior management team and the loss of team members may adversely affect our business or results of operations.

We have a team of professionals to oversee the operations and growth of our businesses. Our success and future performance is substantially dependent on the expertise and services of our management team, including our directors and other key personnel. The loss of the services of such management personnel or other key personnel could have an adverse effect on our business and results of operations. Further, our ability to maintain our leadership position in the notebooks and stationery business depends on our ability to attract, train, motivate and retain highly skilled personnel. We do not currently have key man insurance cover for any of our senior management team members or other key personnel. For further details, see "Our Management" on page 66 of this Red Herring Prospectus.

Exchange rate fluctuations may adversely affect our financial performance.

We are exposed to exchange rate risk. Many of our capital expenditures for machines are priced in foreign currencies, including the Euro and the United States Dollar. During fiscal 2005, we incurred approximately Rs. 172.34 million of capital expenditures denominated in foreign currencies. In 2006, we did not incur any foreign currency denominated capital expenditures. In the future we may incur additional foreign currency denominated capital expenditure due to our expansion plans and requirements for imported machinery.

We receive payments in United States Dollars from our sub-Saharan African export customers. Moreover, as at March 31, 2006, we had approximately Rs. 21.71 million outstanding debt denominated in foreign currencies. From time to time, we enter into foreign currency derivative transactions in respect of our borrowings. Accordingly, adverse movements in foreign exchange rates may adversely affect our financial performance.

Our single largest customer accounts for approximately 10% of our revenues. The loss of all or a portion of the business of this customer may adversely affect our business or results of operations.

During fiscal 2006, our single largest customer accounted for approximately 10.0% of our revenues. Our second through tenth largest customers together accounted for approximately 6.1% of our revenues. We are able to negotiate, what we believe are, favourable terms with our major customers. As a result, if we were to lose all or a portion of the business of these major customers, our business and results of operations may be adversely affected.

We do not have long-term contracts with customers and typically operate on the basis of purchase orders, which could negatively impact our revenues and profitability.

We do not have long-term contracts with customers and most of our agreements with customers are without any commitment to future work orders. Our business is dependent on the decisions and actions of our customers. There are a number of factors relating to our customers outside our control that might result in the termination of a project or the loss of a customer. Any of these factors could adversely affect our revenues and profitability.

Moreover, because we typically operate on the basis of purchase orders, the terms governing our customer transactions may, as a legal matter, be unclear. In particular, where the terms provided in our documentation vary from those provided in the purchase orders of our customers, we cannot assure you that the terms we have presented will govern and we may, as a result, be subject to additional conditions in certain of our customer transactions. If this were to occur, it could affect our revenues and profitability.

Our commercial printing contracts are on a fixed price basis, which may expose us to additional risks, many of which are beyond our control, which could reduce our profitability.

Our commercial printing contracts are typically agreed on a fixed price basis to the order of the customer. In fiscal 2006 and 2005, we derived approximately 3.9% and 3.7% of our total revenues respectively from our commercial printing activities. Any failure to accurately estimate the resources and time required for the performance of the contract or any failure to complete our contractual obligations within the performance levels committed could adversely affect our profitability.

Our business is subject to regulation by several authorities, which could have an adverse effect on our business and our results of operations.

Our business is subject to regulation under the Factories Act, 1948, the Industries (Development and Regulation) Act, 1951, the Shops and Establishments Act in the areas in which we operate, pollution control laws like the Water (Prevention and Control of Pollution) Act, 1981 and laws relating to obscenity under the Indian Penal Code of 1860 and the Young Persons (Harmful Publications) Act, 1956. For more details on the regulations and the policies that regulate our industry, please refer to the section titled “Regulations and Policies” on page 62 of this Red Herring Prospectus. If we cannot comply with all applicable regulations, our business prospects and results of operations could be adversely affected.

Our Promoters and Promoter Group will continue jointly to retain majority control over our Company after the Issue, which will allow them to determine the outcome of matters submitted to shareholders for approval.

After completion of the Issue, our Promoters and Promoter Group will collectively own 52.6% of the Equity Shares (on a fully diluted basis). As a result, our Promoters and Promoter Group will be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be approved by a majority shareholder vote, including, the election of members to our Board, in accordance with the Companies Act and our Articles of Association. See "Main Provisions of our Articles of Association" on page 167 of this Red Herring Prospectus for further details. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Company.

In addition, our Promoters and Promoter Group will continue to have the ability to cause us to take actions that are not in, or may conflict with, our interests or the interests of some or all of our creditors or minority shareholders, and we cannot assure you that such actions will not have an adverse effect on our future financial performance or the price of our Equity Shares.

We may be subject to labour unrest, slowdowns and increased wage costs, which could adversely impact our operations and financial condition.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Although our employees are not currently and have never been unionised, we cannot assure you that they will not unionise in the future. Moreover, whether or not our employees unionise, we may be subject to industrial unrest or slowdowns. Although we have never been subject to such unrest, we cannot assure you that we will not experience such unrest in the future. If some or all of our employees unionise or if we experience such unrest or slowdowns, it may become difficult for us to maintain flexible labour policies and we may experience increased wage costs and employee numbers.

We also depend on third party contractors for the provisions of various services associated with our business. Such third party contractors and their employees or workmen may also be subject to these labour legislations. Any industrial unrest or slowdowns that our third party contractors may experience could disrupt their provision of services to us and may adversely impact our operations and financial conditions.

We are yet to receive consents or renewals of certain statutory approvals required in the ordinary course of our businesses, and if we are unable to obtain these approvals, our business could be adversely affected.

We are required to obtain a number of government licenses and statutory approvals in the course of our operations. We have applied for but are yet to receive certain licenses as disclosed in the section titled "Government Approvals" on page 130 of this Red Herring Prospectus. If we are unable to obtain the requisite licenses in a timely manner or at all, our business operations and results may be affected.

Our exposure to interest rates may adversely affect our financial performance.

We borrow from time to time both in Indian Rupees and in foreign currencies. Some of our borrowings may be linked to movements in particular currencies or particular indices. Adverse movements in interest rates or in such indices or currencies may adversely affect our results of operations and financial condition.

We are subject to restrictive covenants in certain debt facilities provided to us by our lenders.

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short-term loans, including fund-based and non-fund-based loans, and long-term borrowings. These restrictive covenants provide, amongst other things, that the Company cannot alter its capital structure, make any corporate investments or investments by way of issuance of share capital or debentures, or lend or advance funds to third parties except in the ordinary course of business. Though we have received approvals from all our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends. For details of these restrictive covenants, see the section titled "Indebtedness" beginning on page 106 of this Red Herring Prospectus.

Our contingent liabilities could adversely affect our financial condition.

As at September 30, 2006, there are no contingent liabilities not provided for except those with respect to outstanding litigation, bank guarantees issued by banks on behalf of the Company for the amount of Rs. 18.6 million, guarantee bonds issued in favour of Customs authorities amounting to Rs. 152.4 million and contracts remaining to be executed on capital account and not provided for amounting to Rs.10.0 million. For details of outstanding litigation, see the section titled "Outstanding Litigation and Material Developments" beginning on page 129 of this Red Herring Prospectus.

We have no trademark protection for the "Bluebird" logo.

We have applied to the Registrar of Trade Marks to have the name of the owner of the trade mark "Blue Bird" changed from Anil Apporv Printers and Manufacturers Private Limited to Blue Bird (India) Limited. We have also made an application for the registration of the "Blue Bird" logo. These applications are still pending as of the date of this Red Herring Prospectus. If we fail to successfully obtain or enforce our trademarks on our logo, we may need to change our logo. Any such change would require us to incur additional costs and may have an adverse impact on our business, financial condition and results of operation. For further details on these applications please see the section titled "Government Approvals" on page 130 of this Red Herring Prospectus.

For execution of our commercial printing and publishing projects, we may be using certain essential intellectual property for which we may not have obtained prior permission.

During execution of certain of our commercial printing and publishing products, we may use certain intellectual property for which neither our customers nor we may have obtained prior permission or, in the case of our publishing products, where we may not have obtained ownership of the rights from the author. As a matter of industry practice, we do not monitor the ownership or rights to use intellectual property. We do not obtain written representations and warranties from customers in this regard. This may expose us to claims from the owners of such intellectual property.

While developing content we may be using certain works available in the public domain and we may not have the requisite licenses or permissions for use of such property. While we believe that this is accepted industry practice, we cannot assure that persons who own such intellectual property will not initiate any action against us for such use.

Regardless of whether claims that we are infringing any intellectual property rights have any merit, those claims could, among other things, adversely affect our relationships with current or future customers resulting in costly litigation, divert management's attention and resources, subject us to significant liabilities, require us to enter into royalty or licensing agreements or require us to cease certain activities.

An adverse ruling arising out of any intellectual property dispute could subject us to significant liability for damages, prevent us from developing some categories of products, or require us to negotiate licenses to disputed rights from third parties.

We have not entered into any definitive agreements to utilise any of the net proceeds of the Issue, and the purposes for which the proceeds of the Issue are to be utilised have not been appraised by an independent entity.

We have not entered into definitive agreements to utilise the net proceeds of the Issue, and the purposes for which the net proceeds of the Issue are to be utilised have not been appraised by an independent entity and are based on our estimates and third party quotations. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and changes in management's views of the desirability of our current plans. We cannot assure you that we will be able to enter into definitive agreements on the prices set forth in the quotations or estimated by us and on terms acceptable to us. For details on how we intend to use the net proceeds of the Issue, see the section titled "Objects of the Issue" on page 20 of this Red Herring Prospectus. Pending use of the net proceeds of the Issue, we intend to invest the funds in high quality, interest and dividend bearing liquid instruments, including deposits with banks, or temporarily deploy the fund in working capital loan accounts. These investments will be authorized by our Board after our project evaluation and monitoring committee has evaluated the proposal and given its recommendations to our Board. We have also appointed Indian Bank as a monitoring agency to monitor the utilization of the net proceeds of the Issue.

The market price of our Equity Shares may be adversely affected by additional issue of equity or equity linked securities or by sale of a large number of our Equity Shares by our Promoters and significant shareholders and additional issues of equity may dilute your equity position.

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of equity or equity-linked securities in our Company may dilute the positions of investors in our Equity Shares and could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the market price of our Equity Shares. Although our Promoters and significant shareholders are subject to a lock-in, sales of a large number of our Equity Shares by our Promoters and significant shareholders after the expiry of the lock-in periods could adversely affect the market price of our Equity Shares. For further details on the lock-in of Equity Shares, see the section titled "History and Corporate Structure" on page 64 of this Red Herring Prospectus.

We may be required to repay certain amounts to the Government of India if we do not meet our export obligations pursuant to the Government of India's Export Promotion Capital Goods Scheme.

We have imported certain of our equipment under licenses pursuant to the Government of India's Export Promotion Capital Goods (EPCG) scheme. As a result, we are required to export goods amounting to Rs. 526.06 million by March 18, 2014, with continuing obligations on a year-to-year basis prior to the final date for fulfillment. In addition, we plan to import machinery for the additional manufacturing facility that we plan to build under the EPCG scheme. We, therefore, expect to be required to export additional goods, over eight years from the date we import the additional machinery.

We may, from time to time, make additional imports pursuant to the EPCG scheme. If we do so, our export obligations will expand.

If we fail to make the required exports within the required time period under the EPCG scheme, we will be required to make payments to the Government of India equivalent to the duty benefits enjoyed by us under the said scheme along with interest. If we were to default on all currently outstanding export obligations, we would be subject to a repayment of Rs. 143.69 million duty saved, including interest. As we make more imports pursuant to the EPCG scheme, our exposure in case of failure to meet the export requirements will grow.

Out of the above export obligation of Rs. 526.06 million, as on date the Company has fulfilled the export obligation of USD 0.65 million equivalent to INR 29.63 million against EPCG License No. 3130000557/3/11/00 valid upto November 11, 2011 dated November 12, 2003 for customs duty savings of Rs. 3.70 million.

Some of our Promoter Group companies have incurred losses.

Some of our promoter group companies have, in recent years, incurred losses (pursuant to non-consolidated financial statements), as set forth in the table below:

(Rs. in millions)

Name of Promoter Group company	Fiscal 2006	Fiscal 2005	Fiscal 2004
N.S. Shares & Investments Private Limited	0.04	0.50	(0.01)
Vastu Housing Finance Corporation Limited	0.11	(0.28)	N. A.

For a detailed description of our Promoter Group companies, please see section titled "Our Promoters and Promoter Group" on page 79 of this Red Herring Prospectus.

We maintain insurance against various risks, including loss or damage by fire, floods and other similar disasters to our equipment and stock.

While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken out sufficient insurance to cover all material losses. Moreover, the insurance policies in respect of certain of our equipment has been assigned in favour of the lending banks that provided the financing to acquire such equipment and to whom we have pledged that equipment, and the insurance policies covering our stock have been assigned in favour of the consortium of banks from which we have borrowed our working capital facility. To the extent that we suffer loss or damage for which we did not obtain or maintain insurance, that is not covered by insurance or exceeds our insurance coverage or where the insurance policy has been assigned to third parties, the loss would have to be borne by us and our results of operations and financial performance could be adversely affected.

The Company has in the past purchased land from its Promoter Director and intends to use part of the proceeds of the Issue to replenish internal accruals used towards purchase of that land and intends to acquire additional land and a building from its Promoter Director in the future.

The Company has purchased the land on which its factory is situated from its Promoter Director, Nitin P. Sontakke. Additionally, the Company intends to use part of the proceeds of the Issue to acquire the land and building where its Registered and Corporate Office is located from Nitin P. Sontakke.

For further details, please see section titled “Objects of the Issue” on page 20 of this Red Herring Prospectus.

There are outstanding litigations against one of our Directors.

There are currently four criminal proceedings pending against our Promoter Director relating to, *inter alia*, allegations of unauthorised entry, damage to property, unlawful assembly and gathering. If our Promoter Director is convicted on any of these charges, our business, financial condition and reputation could be adversely impacted.

For further details of outstanding litigations against the Company and our Directors, please see the section titled “Outstanding Litigations and Material Developments” on page 129 of this Red Herring Prospectus.

Our Promoters or Directors have additional financial interests relating to the Company apart from the reimbursement of expenses incurred or normal remuneration or benefits from the Company in the normal course of business.

Our Registered and Corporate Office is taken on leave and license from our Promoter Director, Nitin P. Sontakke for annual rent of Rs. 480,000. Our factory is situated on land which was owned by our Promoter Director, Nitin P. Sontakke, which we have subsequently purchased from him for a consideration of Rs. 3.51 million. We also intend to use approximately Rs. 38.00 million from the proceeds of the Issue to purchase our Registered and Corporate Office buildings at Pune from Nitin P. Sontakke. For further details, please see section titled “Objects of the Issue” on page 20 of this Red Herring Prospectus. Further, our Director, Apoorv N. Sontakke, has given the Company, on a leave and license basis, office space in Mumbai and the Company has leased office space in Dhayri from its Directors Nitin P. Sontakke and Vidya N. Sontakke. For further details, please see the section titled “Our Management” on page 66 of this Red Herring Prospectus.

External Risk Factors

A slowdown in economic growth in India could cause our business to suffer.

The Indian economy has grown at 8.5 per cent and 7.5 per cent, respectively, in fiscal 2004 and 2005. According to the Economic Survey of India for fiscal 2006, the advance estimate for growth of GDP in fiscal 2006 was 8.1 per cent, up 0.6 percentage points over the 7.5 per cent growth recorded in fiscal 2005. Any slowdown in the Indian economy and the consequent impact on disposable income could adversely affect our income, which could adversely affect our results of operations.

A significant change in the Government of India's economic liberalisation, deregulation and small-scale reservation policies could disrupt our business and cause the price of our Equity Shares to decline.

Our assets and substantially all of our customers are located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

Terrorist attacks or war or conflicts involving India or other countries could adversely affect consumer and business sentiment and the financial markets and adversely affect our business.

Terrorist attacks and other acts of violence or war may adversely affect global equity markets and economic growth as well as the Indian economy and stock markets. Such acts negatively impact business and economic sentiment, which could adversely affect our business and profitability.

Also, India has from time to time experienced and continues to experience, social and civil unrest and hostilities with neighbouring countries. Armed conflicts could disrupt communications and adversely affect the Indian economy. Such events could also create a perception that investments in Indian companies involve a high degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable and we therefore may not be able to foresee events that could have an adverse effect on our business.

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. Natural calamities could have a negative impact on the Indian economy, adversely affecting our business and our results of operations.

The price of the Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all.

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, our results of operations and performance, subsequent corporate actions taken by us, performance of our competitors, market conditions specific to the Indian printing industry and market perception about investments in the printing industry.

NOTES TO RISK FACTORS:

1. Public issue of 8,775,000 Equity Shares for cash at a price of Rs. [•] per Equity Share including a share premium of Rs. [•] per Equity Share, aggregating Rs. [•] million comprising an Issue of 8,775,000 Equity Shares by the Company. The Issue would constitute 25.07 per cent of the fully diluted post issue paid-up capital of the Company.

2. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average amount paid by them to acquire our Equity Shares which was Rs.10.

3. Our net worth before the Issue (as of March 31, 2006) was Rs. 612.24 million and the book value per Equity Share as of March 31, 2006 was Rs. 24.49 per Equity Share.

4. For details of interests of our Directors and Key Managerial Personnel, please refer to the section titled "Our Management" on page 66 of this Red Herring Prospectus. For details of the interests of our Promoters and Promoter Group, please refer to the section titled "Our Promoters and Promoter Group" on page 79 of this Red Herring Prospectus.

5. Our Company was originally incorporated as Anil Apporv Printers and Manufacturers Private Limited. The name of the Company was changed to Blue Bird (India) Private Limited and subsequently to Blue Bird (India) Limited. The Company had been selling its notebooks and stationery under the brand name "Blue Bird" and the change of the name was affected by the Company to correlate with the brand name "Blue Bird" since the products of the Company are recognised by that name.

6. Investors may contact the BRLM for any complaints, information or clarification pertaining to the Issue. The BRLM is obliged to provide the same to investors.

7. Before making an investment decision in respect of this Issue, Investors are advised to refer to the section titled "Basis for Issue Price" on page 29 of this Red Herring Prospectus.

8. Please refer to "Related Party Transactions" on page 84 of this Red Herring Prospectus for details of related party transactions. For the fiscal years 2006, 2005 and 2004 the aggregate value of the related party transactions were Rs. 62.66 million, Rs. 18.83 million and Rs. 2.82 million respectively.

We and the BRLM are obliged to keep this Red Herring Prospectus updated and inform the public of any material change / development until the listing and trading of the Equity Shares offered under the Issue commences.

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

Overview

Under our "Blue Bird" brand, we are the leading manufacturer of paper-based notebook products (student/ exercise books), with a strong presence in western and southern India. According to the AC Nielsen ORG-MARG Report, approximately 80% of the Indian stationery market is controlled by "unorganised" regional manufacturers. Only 20% of the market is organised out of which 15% is controlled by the large players and the balance 5% is controlled by the medium sized players. As of May 31, 2006, we have the highest market share of 48% out of the 15% of the total market share that is controlled by the large players, in the organised market for paper-based note book products in India, according to a market study commissioned by the Company conducted by AC Nielsen ORG-MARG. We also manufacture other stationery products like files, perforated pads, registers and filler papers as part of our business. We also print text books and engage in other bespoke commercial printing of items such as calendars and diaries, leaflets and product pamphlets and instruction materials and publish books and other materials, as well as publishing in-house produced content. We and our predecessor businesses have over 30 years of experience in the printing business. Our Registered and Corporate Office and our printing and manufacturing facilities are located at Pune, in the State of Maharashtra. We currently sell our student/exercise book and other stationery products principally in western India, including the State of Maharashtra. We are also present and expanding our presence in southern India, including Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Our commercial printing and publishing businesses serve customers principally in the State of Maharashtra, but also throughout India. During fiscal 2005, we also began export of printed materials, including textbooks and notebooks to Kenya, Ghana and South Africa. We plan to expand both our market presence within India, with plans to develop facilities in southern India during fiscal 2007 and 2008, and our market presence in sub-Saharan Africa, with increased marketing efforts and penetration there.

The respective contributions to our total sales of our notebooks and stationery, commercial printing and publishing businesses for the year ended March 31, 2004, 2005 and 2006 is set forth in the following table:

		Year ended March 31,		
		2006	**2005**	**2004**
Notebooks and Stationery	Rs. millions	3,530.06	2,960.61	1,309.55
	As % of total revenues	*87.9%*	*89.3%*	*80.3%*
Commercial Printing	Rs. millions	157.94	123.66	119.65
	As % of total revenues	*3.9%*	*3.7%*	*7.3%*
Publication	Rs. millions	242.36	198.12	199.24
	As % of total revenues	*6.0%*	*6.0%*	*12.2%*
Exports	Rs. millions	78.82	25.47	Nil
	As % of total revenues	*2.0%*	*0.8%*	*Nil*
TOTAL SALES	**Rs. millions**	**4,009.18**	**3,307.86**	**1628.44**
	As % of total revenues	***99.8%***	***99.7%***	***99.9%***

Our Strengths

We plan to continue to capitalise on what we believe to be our key strengths:

- Leading player with over 30 years experience in the student/exercise book and stationery industry.
- Large-scale, versatile manufacturing infrastructure.
- High-quality products.
- Cost-efficiencies through scale, experience and technology.

Our Strategy

- Diversifying our product mix.
- Increased market penetration through the creation of additional regional offices.
- Enhancing the "Blue Bird" brand.
- Increase capacity and extend our distribution capabilities.
- Expanding internationally.

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our restated financial statements as of and for the fiscal years ended March 31, 2006, 2005, 2004, 2003 and 2002 and half year ended September 30, 2006, 2005 which are included in this Red Herring Prospectus under the section titled "Financial Statements" on page 87 of this Red Herring Prospectus. The restated financial statements have been prepared in accordance with the SEBI Guidelines and have been restated as described in the Auditors' Report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the section titled "Managements Discussion and Analysis of Financial Condition and Results of Operations" on page 109 of this Red Herring Prospectus.

Profit and Loss Account Data

(Rs.in millions, unless otherwise stated)

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Income							
Student /Exercise Books	1,946.24	1,727.16	3,530.06	2,960.61	1,309.55	714.81	428.51
Publication	199.87	162.78	242.36	198.12	199.24	106.91	59.64
Printing	202.33	79.83	157.94	123.66	119.65	68.45	33.66
Export	22.67	33.76	78.82	25.47	-	-	-
Total Sales	**2,371.11**	**2,003.53**	**4,009.18**	**3,307.86**	**1,628.44**	**890.17**	**521.81**
Other Income	4.42	3.92	7.81	9.13	2.29	1.02	0.74
Total Income	**2,375.53**	**2,007.45**	**4,016.99**	**3,316.99**	**1,630.73**	**891.19**	**522.55**
Expenditure							
Material Consumption	2,021.59	1,582.62	3,361.37	2,960.49	1,535.99	807.50	546.47
(Increase)/Decrease in Finished Goods	(78.72)	74.13	(52.09)	(148.18)	(104.90)	(30.90)	(70.31)
Other Manufacturing Expenses	28.61	22.24	42.11	47.13	29.48	21.88	15.67
Employee Cost	23.94	22.64	45.60	22.11	10.00	7.50	1.89
Administration, Selling & Distribution Expenses	65.10	44.24	90.54	86.53	25.34	15.57	6.92
Total Expenditure before Interest, Depreciation and Tax	**2,060.52**	**1,745.87**	**3,487.53**	**2,968.08**	**1,495.91**	**821.55**	**500.64**
EBITDA *	**315.01**	**261.58**	**529.46**	**348.91**	**134.82**	**69.64**	**21.91**
Interest & Finance Charges	61.42	48.62	103.62	62.79	39.70	24.30	11.85
Depreciation	18.82	16.14	33.33	10.84	3.19	1.38	0.71
Total Expenditure	**2,140.76**	**1,810.63**	**3,624.48**	**3,041.71**	**1,538.80**	**847.23**	**513.20**
Net Profit before Tax	**234.77**	**196.82**	**392.51**	**275.28**	**91.93**	**43.96**	**9.35**

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Provision for Tax	83.75	70.60	141.41	98.71	30.50	13.05	2.48
Net profit after Tax (before Adjustments)	151.02	126.22	251.10	176.57	61.43	30.91	6.87
Net profit after Tax (as restated)	**151.02**	**126.22**	**251.16**	**159.88**	**53.10**	**24.05**	**4.99**
EBITDA Margin *	**13.3%**	**13.0%**	**13.2%**	**10.5%**	**8.3%**	**7.8%**	**4.2%**
Net profit Margin ^^ (Before Adjustment)	**6.4%**	**6.3%**	**6.3%**	**5.3%**	**3.8%**	**3.5%**	**1.3%**
Basic and Diluted EPS (Rs.)	**12.08****	**10.10****	**10.05**	**10.66**	**5.31**	**8.02**	**1.66**
(Nominal value at Rs.10/- per share) #							

** EBITDA : Earnings before Interest, Tax, Depreciation and Amortisation (Excludes other Income, Miscellaneous Expenses written off)*

** EBITDA Margin : (EBITDA/Net Sales) * 100*

*^^ Net profit Margin : (Net profit after tax/Net Sales) * 100*

 # Adjusting for change in capital structure as follows :

- *split of each equity share of Rs.100/- each into 10 equity shares of Rs.10/- each in 2004-05.*
- **** Annualised EPS calculated by annualising EPS for the half year ended September 30, 2006 & September 30, 2005*

(Rs. in millions, unless otherwise stated)

	As at September 30,		As at March 31,				
	2006	2005	2006	2005	2004	2003	2002
Fixed Assets							
Gross Block	424.51	390.73	417.85	337.67	79.23	31.74	19.20
Less : Cumulative Depreciation	70.12	34.11	51.30	17.97	7.13	3.94	2.56
Net Block	354.39	356.62	366.55	319.70	72.10	27.80	16.64
Add : Capital Work in progress	63.12	-	32.48	-	-	14.00	-
	417.51	**356.62**	**399.03**	**319.70**	**72.10**	**41.80**	**16.64**
Current Assets, Loans & Advances							
Inventories	1,179.87	920.83	1,007.47	878.42	384.56	216.38	108.84
Sundry Debtors	1,236.58	927.13	1,137.94	732.64	427.03	249.09	123.74
Cash and Bank balances	189.95	150.22	155.55	139.36	68.27	36.74	19.03
Loans and Advances	19.81	11.59	13.72	17.36	2.23	1.60	0.88
	2,626.21	**2,009.77**	**2,314.68**	**1,767.78**	**882.09**	**503.81**	**252.49**

	As at September 30,		As at March 31,				
	2006	2005	2006	2005	2004	2003	2002
Liabilities and Provisions							
Loan Funds							
Secured - Term Loans	170.00	194.67	193.99	218.95	31.15	14.53	1.21
- Working Capital	723.79	673.85	659.04	619.06	383.14	192.20	99.16
Unsecured Loans	181.28	-	194.30	-	-	-	10.00
	1,075.07	**868.52**	**1,047.33**	**838.01**	**414.29**	**206.73**	**110.37**
Deferred Tax Liability	32.07	29.71	32.00	27.71	5.15	2.24	0.80
Current Liabilities & provisions							
Current Liabilities	964.85	755.38	886.31	703.23	278.54	177.36	85.64
Provisions	219.50	154.68	135.83	122.95	17.75	11.42	6.01
	1,184.35	**910.06**	**1,022.14**	**826.18**	**296.29**	**188.78**	**91.65**
Net Worth	**752.23**	**558.10**	**612.24**	**395.58**	**238.46**	**147.86**	**66.31**
Represented by :							
Share Capital	250.00	250.00	250.00	250.00	150.00	100.00	30.00
Share Application Money pending Allotment(1)	-	34.50	-	34.50	-	12.50	25.00
Reserve and Surplus							
- General Reserve	17.30	17.30	17.30	17.30	-	-	-
- Profit and Loss Account	495.96	256.31	344.94	93.78	88.46	35.36	11.31
- Miscellaneous Expenditure (Not Written Off)	(11.03)	(0.01)	-	-	-	-	-
Net Worth	**752.23**	**558.10**	**612.24**	**395.58**	**238.46**	**147.86**	**66.31**
			-	-	-	-	-
Debt to Equity Ratio *	1.43	1.56	1.71	2.12	1.74	1.40	1.66

Summary of Assets and Liabilities

(1) *Share application money pending allotment of Rs. 34.50 million outstanding as on March 31, 2005. This represents the application money received from the Key Managerial Personnel of the Company. However, this amoumt was refunded to the applicants in FY 2006 as the Company decided to raise funds through an Initial Public Offering.*

** Debt to Equity Ratio: Total Debt / Shareholders' Equity*

THE ISSUE

Equity Shares offered:		
Issue by the Company		8,775,000 Equity Shares
Of which :		
A) Qualified Institutional Buyers (QIB) portion		Upto 4,387,500 Equity Shares
Of which		
	Available for allocation to Mutual Funds only	219,375 Equity Shares
	Balance for all QIBs including Mutual Funds	4,168,125 Equity Shares
B) Non-Institutional Portion		At least 1,316,250 Equity Shares
C) Retail Portion		At least 3,071,250 Equity Shares
Equity Shares outstanding prior to the Issue		26,225,000 Equity Shares*
Equity Shares outstanding after the Issue		35,000,000 Equity Shares
Use of Proceeds by the Company		See the section titled "Objects of the Issue" on page 20 of this Red Herring Prospectus.

**Includes 1,225,000 Equity Shares issued to India China Pre-IPO Equity (Mauritius) Limited on October 30, 2006. For further details, please see the section entitled "Capital Structure" on page 13 of this Red Herring Prospectus.*

GENERAL INFORMATION

Registered Office

Blue Bird (India) Limited
759/74, Prabhat Road,
Deccan Gymkhana, Pune - 411 004
Tel: (91 20) 2567 6163; Fax: (91 20) 2567 6164
Registration Number: 25-3842

Address of Registrar of Companies

Registrar of Companies, 3rd Floor, PMT Building, Deccan Gymkhana Pune-411 004

Board of Directors of the Issuer

Name	Designation
Nitin P. Sontakke	*Chairman and Managing Director*
Harbhagwandas S. Arora	*Joint Managing Director*
Vidya N. Sontakke	*Wholetime Director*
Apoorv N. Sontakke	*Director, Sales and Marketing*
Satish D. Bhagwat	*Director, Technical*
David P. Kunder	*Director, Finance*
Madhusudan S. Vaidya	*Independent Director*
Brigadier HSN Sastry (Retd.)	*Independent Director*
Dr. Vikas Govind Pai	*Independent Director*
Anil C. Agashe	*Independent Director*
Girish H. Inamdar	*Independent Director*
Dr. Vitthal M. Bachal	*Independent Director*

For further details of our Directors, see the section titled "Our Management" on page 66 of this Red Herring Prospectus.

Compliance Officer

David P. Kunder
Blue Bird (India) Limited
759/74, Prabhat Road,
Deccan Gymkhana, Pune- 411 004
Tel: (91 20) 2567 6163
Fax: (91 20) 2567 6164
Email: bluebird@bluebirdpune.com
Website: www.bluebirdpune.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account and refund orders.

Company Secretary

Manohar V. Gokhale
Blue Bird (India) Limited
759/74, Prabhat Road,
Deccan Gymkhana, Pune- 411 004
Tel: (91 20) 2567 6163
Fax: (91 20) 2567 6164

Book Running Lead Manager

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor
Nariman Point, Mumbai 400 021
India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1187
Email: bbil_ipo@ml.com
Website: www.dspml.com
Contact Person: N.S. Shekhar

Lead Manager

Karvy Investor Services Limited
Karvy House, 46 Avenue 4,
Street No. 1,
Banjara Hills,
Hyderabad 500 034
Tel: (91 40) 2331 2454
Fax: (91 40) 2337 4714
Email: mbd@karvy.com
Website: www.karvy.com
Contact Person: T R Prashanth Kumar

Co - Manager

Indbank Merchant Banking Services Limited
3rd Floor Krest Building
Old No. 26/27, New No. 2
Jehangir Street Second Line Beach
Chennai 600 001
Tel: (91 44) 2522 4693
Fax: (91 44) 2522 7059
Email: imssbc@md3.vsnl.net.in
Contact Person: S. Varghese

Syndicate Member

Karvy Stock Broking Limited
Karvy House, 46 Avenue 4,
Street No. 1,
Banjara Hills,
Hyderabad 500 034
Tel: (91 40) 2331 2454/2332 0251
Fax: (91 40) 2331 1968
Email: sridhark@karvy.com
Website: www.karvy.com
Contact Person: K Sridhar

Domestic Legal Advisors to the Issuer

Amarchand & Mangaldas & Suresh A. Shroff & Co.
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013, India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

International Legal Advisors to the BRLM

Dorsey and Whitney LLP
21 Wilson Street
London, England EC2M 2TD
Tel: (44 20) 7588 0800
Fax: (44 20) 7588 0555

Domestic Legal Advisors to the BRLM

Majmudar & Co.,
96, Free Press House,
9th Floor,
Free Press Journal Road,
Nariman Point,
Mumbai- 400 021
Tel: (91 22) 6630 7272
Fax: (91 22) 6630 7252

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West),
Mumbai – 400 078, India
Tel.: (91 22) 2596 0320
Fax: (91 22) 2596 0329
Email: bluebird-ipo@intimespectrum.com
Website: www.intimespectrum.com

Monitoring Agency

Indian Bank has been appointed as the monitoring agency by the Company to monitor the use of the net proceeds of the Issue by a letter dated October 16, 2006 and an agreement dated November 3, 2006.

Indian Bank
759/62, Prabhat Road
Deccan Gymkhana,
Pune-411 004
Tel: (91 20) 2543 3304
Fax: (91 20) 2546 4383
Email: ibdeccan@vsnl.net

Bankers to the Issue and Escrow Collection Banks

UTI Bank Limited E-Block, 3rd Floor, Maker Towers, Cuffe Parade, Mumbai 400 005 India Tel: (91 22) 5507 1657 Fax: (91 22) 2215 5157 Email: prashanth.fernandes@utibank.co.in Website: www.utibank.com Contact Person: Prashanth Fernandes	***HDFC Bank Ltd*** 26A Narayan Properties, Chandivali Farm Road, Saki Naka, Andheri (E), Mumbai India Tel: (91 22) 2856 9228 Fax: (91 22) 2856 9256 Email: viral.kothari@hdfcbank.com Website: www.hdfcbank.com Contact Person: Viral Kothari
Standard Chartered Bank 270 D.N.Road, Fort, Mumbai 400 001 India Tel: (91 22) 2268 3965 Fax: (91 22) 2209 6069 Email: Rajesh.Malwade@in.standardchartered.com Website: www.standardchartered.co.in Contact Person: Rajesh Malwade	***The Hongkong and Shanghai Banking Corporation Limited*** 52/60, Mahatma Gandhi Road Mumbai 400 001 India Tel: (91 22) 2268 5568 Fax: (91 22) 2262 3890 Email: zersisirani@hsbc.co.in Website: www.hsbc.co.in Contact Person: Zersis Irani

Bankers to the Company

Indian Bank 759/62, Prabhat Road Deccan Gymkhana, Pune-411 004 Tel: (91 20) 2543 3304 Fax: (91 20) 2546 4383 Email: ibdeccan@vsnl.net	***The Federal Bank Limited*** Arihant, Ghole Road Near Balgandharv Chowk Shivaji Nagar Pune.411 004 Tel: (91 20)2553 6684 Fax: (91 20)2553 8754 Email:pne@federalbank.co.in
UCO Bank 891, Mainkar Bunglow Bhandarkar Road Deccan Gymkhana Pune-411 004 Tel: (91 20) 2565 5242 Fax (91 20) 2567 4588 Email: ucodgpune@bsnl.net	***Canara Bank*** 1259, Jangli Maharaj Road Deccan Gymkhana Pune - 411 004 Tel: (91 20) 2553 1747 Fax: (91 20) 2553 3712 Email:fcsbdg@canbank.co.in
State Bank of Travancore 1248-A, Asmani Plaza F.C. Road, Deccan Gymkhana Pune-411 004 Tel: (91 20) 2552 1339 Fax: (91 20) 2553 2347 Email: pune@sbt.co.in	***Oriental Bank of Commerce*** 33/9, Prabhat Road Deccan Gymkhana Pune-411 004 Tel: (91 20) 2545 5461 Fax: (91 20) 2545 4836 Email:bm0941@obc.co.in

United Bank of India 1255, Deccan Gymkhana Opp. P.M.T. Bus Depot Garware Chowk, Pune-411 004 Tel: (91 20) 2553 2738	***Development Credit Bank Limited*** Rohit Building J.M. Road, Deccan Gymkhana, Central Park Pune-411 004 Tel: (91 20) 2552 0962 Fax: (9120) 2552 0965 Email: swatit@dcbl.com
Andhra Bank 610, Sachapir Street, Camp, Pune-411 001 Tel: (91 20) 2613 1004 Fax: (91 20) 2611 3931 Email:bmmum906@andhrabank.co.in	***The Lakshmi Vilas Bank Limited*** 658, New Narayan Peth, Appa Balwant Chowk, Pune-411 030 Tel: (91 20) 2445 7001 Fax: (91 20)2445 9075 Email:pune@lvbank.com
Standard Chartered Bank Shrirang House, 364-365, Junglee Mahraj Road, Shivaji Nagar, Pune- 411 005. Tel: (91 20) 2553 0377 Fax: (91 20) 2551 3097 Email: cpc.ipo@in.standardchartered.com	***The Hong Kong and Shanghai Banking Corporation Limited,*** Amar Avinsh Corporate city, Sector No. 11, Bund garden Road, Pune- 411 001. Tel: (91 20) 5609 6447 Fax: (91 20) 5601 6073 Email: www.hsbc.co.in
M/s Jayant V. Kolapkar & Co. Chartered Accountants 91/2, "Ram-Seeta", Parvati, Pune 411 009 Tel. : (91 20) 2444 6121 Fax. : (91 20) 2444 3290 Email: jvkolapkar@yahoo.co.in	***M/s Shashank Patki and Associates*** Chartered Accountants, 2, Anil Apartments, Baner Residency, Baner Road, Aundh, Pune 411 007 Tel. : (91 20) 2566 0489 Fax. : (91 20) 2566 0489 Email: shashank.patki@rediffmail.com

Credit Rating

As this is an offer of Equity Shares there is no credit rating for this Issue.

IPO Grading

We have not opted for grading of this Issue.

Trustees

As this is an issue of Equity Shares, the appointment of Trustees is not required.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. BRLM;
3. Syndicate Member who is an intermediary registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member is appointed by the BRLM; and
4. Registrar to the Issue.

The Issue is being made through the 100% book building process wherein upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, as per recent amendments to the SEBI Guidelines, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. Please refer to the section titled "Terms of the Issue" on page 140 of this Red Herring Prospectus for more details.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer in consultation with the BRLM, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid, see section titled "Issue Procedure" on page 144 of this Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form, see the section titled "Issue Procedure" on page 144 of this Red Herring Prospectus; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company in consultation with the BR LM, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reasons therefor.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	**November 16, 2006**
BID/ISSUE CLOSES ON	**November 22, 2006**

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 on all days and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/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 Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of the Equity Shares but prior to the filing of the Prospectus with the ROC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that 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 Member does not fulfil its underwriting obligations. The Underwriting Agreement is dated [•].

The Underwriter has indicated its intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the ROC.)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (In Rs. Million)
DSP Merri Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021	[•]	[•]
Karvy Stock Broking Limited Karvy House, 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034	[•]	[•]

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters is sufficient to enable them to discharge its respective underwriting obligations in full. The above-mentioned Underwriters is registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors at its meeting held on [•], has accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company.

Notwithstanding the above table, the BRLM, and the Syndicate Member 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 Underwriters, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of filing of this Red Herring Prospectus with SEBI, is set forth below:

(Rs in million)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A.	**Authorized Equity Capital**		
	Equity Shares	450	-
B.	**Issued, Subscribed And Paid-Up Equity Capital before the Issue**		
	26,225,000 Equity Shares fully paid-up before the Issue	262.25	[•]
C.	**Present Issue in terms of this Red Herring Prospectus**		
	8,775,000 Equity Shares *	87.75	[•]
D.	**Equity Capital after the Issue**		
	35,000,000 Equity Shares	350	[•]
E.	**Securities Premium Account**		
	Before the Issue	107.8	
	After the Issue	[•]	

* The present Issue has been authorized by the Board of Directors in their meeting on May 20, 2006, and by the shareholders of our Company at an EGM held on May 27, 2006

a) The initial authorized capital of Rs. 10,000,000 comprising of 100,000 Equity Shares was increased to Rs. 30,000,000 comprising of 300,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on March 23, 2001.

b) The authorized capital of Rs. 30,000,000 comprising of 300,000 Equity Shares was increased to Rs. 60,000,000 comprising of 600,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on August 20, 2002.

c) The authorized capital of Rs. 60,000,000 comprising of 600,000 Equity Shares was increased to Rs. 100,000,000 comprising of 1,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on January 22, 2003.

d) The authorized capital of Rs. 100,000,000 comprising of 1,000,000 Equity Shares was increased to Rs. 150,000,000 comprising of 1,500,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on October 18, 2003.

e) On February 19, 2005 the Equity Shares of Face Value of Rs. 100 each was split into 10 Equity Shares of Rs. 10 each.

f) The authorized capital of Rs. 150,000,000 comprising of 15,000,000 Equity Shares was increased to Rs. 350,000,000 comprising of 35,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on February 19, 2005.

g) The authorized capital of Rs. 350,000,000 comprising of 35,000,000 Equity Shares was increased to Rs. 450,000,000 comprising of 45,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on May 27, 2006.

Notes to Capital Structure

1. *Share Capital History of our Company*

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
July 23, 1999	200	100	100	Cash	Subscription to the Memorandum	200	20,000	NIL
March 31, 2000	84,800	100	100	Cash	Fresh Issue	85,000	8,500,000	NIL
March 31, 2001	215,000	100	100	Cash	Fresh Issue	300,000	30,000,000	NIL
August 20, 2002	250,000	100	100	Cash	Fresh Issue	550,000	55,000,000	NIL
March 31, 2003	450,000	100	100	Cash	Fresh Issue	1,000,000	100,000,000	NIL
March 31, 2004	500,000	100	100	Cash	Fresh Issue	1,500,000	150,000,000	NIL
February 19, 2005	15,000,000	10	-	-	Split of each equity share of Rs. 100 of the Company into 10 equity shares of Rs. 10 each	15,000,000	150,000,000	NIL
March 31, 2005	10,000,000	10	10	Cash	Fresh Issue	25,000,000	250,000,000	NIL
October 30, 2006	1,225,000	10	98	Cash	Fresh Issue	26,225,000	262,250,000	107,800,000

a) All allotted shares have been fully paid-up.

2. *Promoter Contribution and Lock-in*

All Equity Shares which are being locked in are eligible for computation of Promoter's contribution and lock in under clause 4.6 of the SEBI Guidelines.

Name of Promoter	Date on which Equity Shares were allotted/transferred	Nature of transaction	Nature of payment	Number of Equity Shares	Price (in Rs.)	Lock-in Period*	% of post Issue Paid up capital
Nitin P.Sontakke	July 23, 1999	Subscription to the memorandum of Association	Cash	100	10,000	-	
	March 31, 2000	Fresh issue	Cash	42,400	4,240,000	-	
	March 31, 2001	Fresh issue	Cash	107,500	10,750,000	-	
	August 20, 2002	Fresh issue	Cash	100,000	10,000,000	-	
	March 31, 2004	Fresh issue	Cash	125,000	12,500,000	-	
	February 19, 2005	Stock split	-	3,750,000	37,500,000	1 year	
	March 31, 2005	Fresh issue	Cash	750,000	7,500,000	1 year	
	March 31, 2005	Fresh issue	Cash	3,500,000	35,000,000	3 years	
			Total	**8,000,000**	**80,000,000**		**22.9**

Name of Promoter	Date on which Equity Shares were allotted/transferred	Nature of transaction	Nature of payment	Number of Equity Shares	Price (in Rs.)	Lock-in Period*	% of post Issue Paid up capital
Vidya N. Sontakke	July 23, 1999	Subscription to the memorandum of Association	Cash	100	10,000	-	
	March 31, 2000	Fresh issue	Cash	42,400	4,240,000	-	
	March 31, 2001	Fresh issue	Cash	107,500	10,750,000	-	
	August 20, 2002	Fresh issue	Cash	100,000	10,000,000	-	
	March 31, 2004	Fresh issue	Cash	125,000	12,500,000	-	
	February 19, 2005	Stock split	-	3,750,000	37,500,000	1 year	
	March 31, 2005	Fresh issue	Cash	750,000	7,500,000	1 year	
	March 31, 2005	Fresh issue	Cash	3,500,000	35,000,000	3 years	
			Total	**8,000,000**	**80,000,000**		**22.9**

A total of 7,000,000 Equity Shares held by Nitin P. Sontakke and Vidya N. Sontakke forming 20% of the post Issue paid up capital as stated above of our Company shall be locked in for a period of three years as minimum promoters' contribution. The lock-in shall start from the date of allotment in the proposed Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the public issue. The entire pre-Issue capital other than locked in as minimum promoters' contribution shall be locked in for a period of one year from the date of Allotment under this Issue. The shares allotted pursuant to the pre-IPO allotment shall also be locked in for a period of one year.

Further the Promoters have given an undertaking that securities forming part of the minimum promoters' contribution subject to lock-in, will 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 lock-in period as stated above.

The locked in Equity Shares held by the Promoters, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of equity shares is one of the terms of the sanction of the loan.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. The list of shareholders of our Company and the number of Equity Shares held by them is as follows:

(a) Details of all our shareholders and the number of Equity Shares held by them as of the date of filing this Red Herring Prospectus with SEBI are as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage of Shareholding
1	Nitin P. Sontakke	8,000,000	32.00
2	Vidya N. Sontakke	8,000,000	32.00
3	Asha P. Sontakke	900,000	3.60
4	Apoorv N. Sontakke	1,500,000	6.00
5	David P. Kunder	1,800,000	7.20
6	Satish D. Bhagwat	1,850,000	7.40
7	Santosh S. Dhankude	1,900,000	7.60
8	Harbhagwan S. Arora	1,050,000	4.20
	TOTAL	**25,000,000**	**100.0**

(b) Details of all our shareholders and the number of Equity Shares held by them ten days prior to filing of this Red Herring Prospectus with SEBI are as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage of Shareholding
1	Nitin P. Sontakke	8,000,000	32.00
2	Vidya N. Sontakke	8,000,000	32.00
3	Asha P. Sontakke	900,000	3.60
4	Apoorv N. Sontakke	1,500,000	6.00
5	David P. Kunder	1,800,000	7.20
6	Satish D. Bhagwat	1,850,000	7.40
7	Santosh S. Dhankude	1,900,000	7.60
8	Harbhagwan S. Arora	1,050,000	4.20
	TOTAL	**25,000,000**	**100.0**

(c) Details of all our shareholders and the number of Equity Shares held by them two years prior to filing this Red Herring Prospectus are as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage of pre-Issue Shareholding
1.	Nitin P. Sontakke	375,000	25.0
2.	Vidya N. Sontakke	375,000	25.0
3.	Asha P. Sontakke	75,000	5.0
4.	Apoorv N. Sontakke	150,000	10.0
5.	David P. Kunder	150,000	10.0
6.	Satish D. Bhagwat	150,000	10.0
7.	Santosh S. Dhankude	150,000	10.0
8.	Harbhagwan S. Arora	75,000	5.0
	TOTAL	**1,500,000**	**100.0**

4. Shareholding pattern of our Company before and after the Issue is as follows:

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
Promoters				
Nitin P. Sontakke	8,000,000	30.51	8,000,000	22.86
Vidya N. Sontakke	8,000,000	30.51	8,000,000	22.86
Sub Total (A)	**16,000,000**	**61.02**	**16,000,000**	**45.71**
Promoter Group				
Asha P. Sontakke	900,000	3.43	900,000	2.57
Apoorv N. Sontakke	1,500,000	5.72	1,500,000	4.29
Sub Total (B)	**2,400,000**	**9.15**	**2,400,000**	**6.86**
Key Employees of our Company				
David P. Kunder	1,800,000	6.86	1,800,000	5.14
Satish D. Bhagwat	1,850,000	7.05	1,850,000	5.29
Santosh S. Dhankude	1,900,000	7.24	1,900,000	5.43
Harbhagwan S. Arora	1,050,000	4.00	1,050,000	3.00
Sub Total (C)	**6,600,000**	**25.17**	**6,600,000**	**18.86**
Others (D)	1,225,000	4.67	1,225,000	3.50
Public (E)	-	-	**8,775,000**	**25.07**
Total share capital (A+B+C+D+E)	**26,225,000**	**100.0**	**35,000,000**	**100.0**

5. None of our Promoters, Promoter Group, Directors or Key Managerial Personnel hold Equity Shares in the Company, other than as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding
1.	Nitin P. Sontakke	8,000,000	30.51
2.	Vidya N. Sontakke	8,000,000	30.51
3.	Asha P. Sontakke	900,000	3.43
4.	Apoorv N. Sontakke	1,500,000	5.72
5.	David P. Kunder	1,800,000	6.86
6.	Satish D. Bhagwat	1,850,000	7.05
7.	Santosh S. Dhankude	1,900,000	7.24
8.	Harbhagwan S. Arora	1,050,000	4.00
	Sub-total	**25,000,000**	**95.33**
	Total Equity Shares Outstanding Before the Issue	**26,225,000**	**100.0**

6. Our Company, our Promoters and the BRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person.
7. The Company has not issued Equity Shares for consideration other than cash.
8. There has been no sale or purchase of Equity Shares by the Promoters or the Promoter Group in the last six months.
10. Upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. At least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the 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. Under-subscription, if any, in any category, would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLM.
12. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
13. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
14. We have not raised any bridge loan against the proceeds of the Issue.
15. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of one (1) Equity Share subject to minimum Allotment of 60 Equity Shares while finalising the Basis of Allotment.
16. Except as disclosed herein, 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 submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
17. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.
18. We have not issued any Equity Shares out of revaluation reserves.
19. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

20. Details of the issue of Equity Shares in the last one year by the Company are as follows:

Date	Name	Number of Equity Shares issued	Nature of transaction	Consideration	Price per Equity Share(Rs.)
October 30, 2006	India China Pre-IPO Equity (Mauritius) Limited*	1,225,000	Preferential Allotment	Cash	98

* India China Pre – IPO Equity (Mauritius) Limited is a registered Foreign Venture Capital Investor with the Securities and Exchange Board of India and has appointed ST Asset Management Ltd, which is wholly owned by Temasek Holdings (Private) Limited, as its investment manager.

For further details, please see the section titled "History and Corporate Structure" on page 64 of this Red Herring Prospectus.

21. As of November 6, 2006 the total number of holders of Equity Shares is 9.

OBJECTS OF THE ISSUE

We are looking to achieve the benefits of listing on the stock exchanges, to raise capital and to establish and develop manufacturing facilities in India. We believe that listing will enhance the Company's brand name and provide liquidity to the Company's existing shareholders. Listing will also provide a public market for the Equity Shares in India.

The net proceeds of the Issue after deducting all Issue related expenses are estimated to be approximately Rs. [•] million.

The objects of the Issue are:

- Setting up and expansion of manufacturing facilities in India:
    - Setting up of new manufacturing facilities for manufacturing of notebooks in southern India;
    - Expansion of our existing facility at Pune to increase the capacity of manufacturing of notebooks and printing/publication.
- Replenishing the internal accruals of the Company used for purchase of factory land located at Pune.
- Purchase of existing Registered/Corporate office premises presently on leave and licence.
- Capital expenditure for setting up of new regional sales offices.
- Repayment of existing long term debts;
- Augmentation of long term working capital; and
- General corporate purposes.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement below is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement may also change. This may include rescheduling of our capital expenditure programmes, increase or decrease in the repayment of existing long-term debt and increase or decrease in the capital expenditure for a particular purpose vis-à-vis current plans at the discretion of our management. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity will be met from our internal accruals. The balance proceeds of the Issue, if any, will be used for growth opportunities and general corporate purposes.

Means of Finance

The objects of the Issue are proposed to be financed entirely through the proceeds of the Issue less the Issue expenses. Shortfall, if any, shall be financed through internal accruals.

Proposed Use of Net Proceeds from the Issue

The following table summarizes the use of net proceeds from the Issue:

Sr. No.	Particulars	*For the year ending March 31,*			Total
		2007	2008	2009	
		Rs. in Million			
1	Setting up and expansion of manufacturing facilities in India	198.56	516.26	-	714.82
2	Replenishing the internal accruals of the Company used for purchase of factory land located at Pune.	3.68	-		3.68
3	Purchase of existing office premises presently on leave and licence	40.00	-		40.00
4	Capital expenditure for setting up of new regional sales offices as per the plans	25.00	50.00	25.00	100.00
5	Repayment of existing long term debts	192.36	-		192.36
6	Augmentation of long term working capital	-	100.00	200.00	300.00
	Sub total	**459.60**	**666.26**	**225.00**	**1,350.86**
7	General Corporate Purposes	[•]	[•]	[•]	[•]
	Total				[•]

As of September 30, 2006, we had incurred Rs. 89.16 million as expenses for the above activities as certified by M/s Jayant V. Kolapkar & Co. and M/s Shashank Patki and Associates, Joint Auditors of the Company. This expenditure has been presently funded through our internal accruals. We intend to utilise the net proceeds of the Issue for replenishing our internal accruals to the extent of expenditure already incurred towards the above activities. For details regarding the expenditure already incurred please see "Expenditure already incurred on the Objects of the Issue" as set out below on page 28 of this Red Herring Prospectus.

Details of Use of Proceeds

1. Setting up and expansion of manufacturing facilities in India

a) Setting up of new manufacturing facilities for manufacturing student books/exercise books in south India

We currently have one manufacturing facility located at Pune. We intend to set up a new manufacturing facility in south India to tap the market in south India further by way of ensuring prompt supply of our products at competitive prices. This we believe will address the logistic needs in procurement of raw material and delivery of our products to retailers in south India.

Presently, we distribute our products across India from our manufacturing plant at Pune. Increasing demand from south India and the need to reduce the time and the cost of distribution of our products in south India has resulted in the need to establish a manufacturing facility in south India. This would help in improving operational efficiencies as the entire procurement and distribution work would be carried out from a location which is nearer to the markets in south India. This manufacturing facility would be a state-of-the-art facility. We expect to use approximately Rs.454.10 million of the net proceeds of the Issue for this purpose.

The estimated fund requirements to set up the manufacturing facility in south India are as follows:

Sr. No.	Particulars	Area	Cost *(in Rs. million)*
1	Land & Site Development	5 acres	20.00
2	Building & Interiors	5,000 sq. mtrs.	75.00
3	Plant & Machinery		356.29
4	Utilities		2.81
	Total		**454.10**

Status of the proposed manufacturing facility:

We are in the process of finalizing the location of the proposed manufacturing facility in south India. We have estimated our land requirement to be approximately 5 acres. We are currently working on a building plan for the proposed facility on lines similar to our existing manufacturing plant at Pune. We expect to finalize the location and commence construction of the facility by January 2007. The expected schedule of implementation of the manufacturing facility is as follows:

Sl. No.	Activity	Estimated time of completion
1	Land and Site Development	Fourth quarter of fiscal 2007
2	Building, Interiors & Utilities	Third quarter of fiscal 2008
3	Plant & Machinery	Fourth quarter of fiscal 2008

We have identified certain equipment for the manufacturing facility and are in the process of finalizing the capacity, specifications of equipment and are in the process of obtaining quotations from various suppliers. We have procured such equipments routinely in the past for our existing facilities, therefore, we believe we are in a position to make a fair estimate of the costs involved in the procurement and purchase of the equipment for the facility. Further, we have existing relationships with suppliers from whom these equipments may be procured. In view of this, the cost estimate for the equipments, yet to be ordered has been done on the basis of the Company’s own internal assessment and quotations received from the suppliers. The indicative list of key plant and machinery and utilities are as follows:

Plant & machinery to be procured for the new manufacturing facility in south India:

Name of Equipment	Quantity	Country of Origin	Date of the quotation	Cost (in Rs. Million)*	Commissioning Schedule
Fully Automatic Exercise Book Line	Two	Germany	May 15, 2006	110.61	Fourth quarter of fiscal 2008
Automatic Section Sewing Machines	Two	Germany	May 15, 2006	62.62	Fourth quarter of fiscal 2008
Paper Cutting Machines	Two	Germany	June 09, 2006	12.89	Fourth quarter of fiscal 2008
Hard Cover Book production Line	One	Germany	May 15, 2006	116.46	Fourth quarter of fiscal 2008
Case making Machines	One	Germany	May 15, 2006	50.59	Fourth quarter of fiscal 2008
Automatic Ruling Machines	Two	India	June 09, 2006	3.12	Fourth quarter of fiscal 2008
Total Cost of Plant & Machinery				**356.29**	
Diesel Power Generating Set	One	India	June 09, 2006	2.81	Third quarter of fiscal 2008
Total Cost Plant & Machinery & Utilities				**359.10**	

* We receive quotations for equipments in Euro or US Dollars or Sterling Pounds. We have converted the quotations for Euro, US Dollars and Sterling Pounds as on May 31, 2006 at the rate of one Euro being equal to Rs. 59.80, one US dollar being equal to Rs. 46.43 and one Sterling Pound being equal to Rs. 87.43.

For the above estimates most of the equipment or machinery is yet to be ordered and the Company has relied upon quotations received by it over the past six months. The Company has not yet made a decision to finalize the suppliers for the above equipment.

b) Expansion of our existing manufacturing facility at Pune to increase the capacity for manufacturing notebooks and printing/publication

Presently, a part of our manufacture of notebooks is outsourced. To reduce the cost of outsourcing, we plan to enhance our existing manufacturing facility at Pune. We expect to use approximately Rs. 260.72 million from the net proceeds of the Issue to expand our existing manufacturing facility at Pune.

The estimated fund requirements to enhance the existing manufacturing facility are as follows:

Sr. No.	Particulars	Cost (in Rs. Million)
1	Building & Interiors (Including internal roads and other utilities)	50.00
2	Plant & Machinery	205.10
3	Utilities	5.62
	Total	**260.72**

Status of the proposed enhancement of our existing manufacturing facility at Pune:

We have already built a structure admeasuring approximately 3,100 square meters for the enhancement of the existing facilities and have incurred a cost of Rs.32.48 million on the building construction. The construction is expected to be completed in the fourth quarter of fiscal 2007. The schedule of implementation for the proposed enhancement of our existing manufacturing facility is as follows:

Sr. No.	Activity	Estimated time of completion
1	Building, Interiors & Utilities	Fourth Quarter FY 2007
2	Plant & Machinery	Second Quarter FY 2008

We have also identified certain equipment required for this manufacturing facility and are in the process of finalizing the equipments and detailed specification of the equipment and getting the quotations from various suppliers. Since we have routinely procured such equipments in the past for our existing facilities, we are in a position to make a fair estimate of the costs involved on the basis of our past experience. Further, we have existing relationships with suppliers from whom this equipment can be procured. In view of this, the cost estimate for the equipments yet to be ordered has been done on the basis of the Company's own internal assessment and quotations received from suppliers. The indicative list of key equipments is as follows:

Name of the Plant & Machinery	Quantity	Country of Origin	Date of quotation	Cost (in Rs. million)*	Commissioning Schedule
4 X 4 Web Offset Printing Machine	One	Japan	March 08, 2006	20.80	Third quarter of fiscal 2007
Programmable Paper Cutting Machines	Three	Germany	June 09, 2006	3.74	Second quarter of fiscal 2008
Paper Folding Machines	Two	Germany	June 09, 2006	7.80	Second quarter of fiscal 2008
Four Colour Sheet Fed Offset Colour Printing Machine	One	Japan	June 09, 2006	15.60	Second quarter of fiscal 2008
Hard Cover Book production Back Gluing Machine	One	Germany	May 15, 2006	58.96	Second quarter of fiscal 2008
Case making Machines	One	Germany	May 15, 2006	50.59	Second quarter of fiscal 2008
Envelope making machine	One	Germany	May 02, 2006	42.91	Second quarter of fiscal 2008
Thermal Lamination Machine	One	England	May 15, 2006	4.70	Second quarter of fiscal 2008
Total Cost of Plant & Machinery				**205.10**	

Diesel Power Generating Set	Two	India	June 09, 2006	5.62	Fourth quarter of fiscal 2007
Total Cost Plant & Machinery & Utilities				**210.72**	

* We receive quotations for equipments in Euro or US Dollars or Sterling Pounds. We have converted the quotations for Euro, US Dollars and Sterling Pounds as on May 31, 2006 at the rate of one Euro being equal to Rs. 59.80, one US dollar being equal to Rs. 46.43 and one Sterling Pound being equal to Rs. 87.43.

For the above estimates most of the equipment or machinery is yet to be ordered and the Company has relied upon quotations received by it over the past six months and its past experience. The Company has not yet made a decision to finalize the suppliers for the above equipment.

2. ***Replenishment of the cost of acquisition of the Company's factory land located at Pune***

The land for our existing manufacturing unit is located at Gat No. 277, 287 and 278, Zalanwadi, Gorhe Khurd, Panshet Road, Pune, Maharashtra, India admeasuring 1.37 hectares. This land was originally taken on a leave and licence basis from Nitin P. Sontakke, Promoter and Chairman & Managing Director of our Company who acquired the same on December 11, 2002, December 13, 2002 and January 9, 2003 respectively.

The Company has subsequently purchased the entire land vide an agreement dated April 20, 2006 from Nitin P. Sontakke at a cost of Rs. 3.51 million from its internal accruals which was the original cost of acquisition of the land by Nitin P. Sontakke. The sale deed has been duly registered.

The Company has a clear title to the land, however, the land is currently given as collateral security for the Company's working capital requirements in favour of a consortium of banks, the lead banker of which is Indian Bank, as well as for the term loan granted by the Indian Bank. For more details on the loans taken by the Company please refer to the section entitled "Indebtedness" on page 106 of this Red Herring Prospectus.

We will use Rs.3.68 million of the net proceeds of the Issue to replenish the amount paid for purchase of the said factory land including the stamp duty and the registration charges.

3. ***Purchase of the Registered and Corporate Office presently on leave and licence***

Our existing Registered and Corporate Office located at 759/74, Deccan Gymkhana, Prabhat Road, Pune of land admeasuring 5,685 square feet with a built up area of 4,950 square feet is currently on leave and licence basis from Nitin P. Sontakke.

We intend to purchase the land and building from Nitin P. Sontakke for a consideration of approximately Rs. 38.00 million. We are in the process of finalising the agreement for the acquisition of the said property.

We expect to use Rs. 40.00 million, which includes the cost of property of approximately Rs.38.00 million and Stamp Duty and Registration charges of approximately Rs. 2.00 million, of the net proceeds of the Issue to purchase the said office from Nitin P. Sontakke.

4. ***Capital expenditure for setting up of new regional sales offices and godowns***

The Company intends to open approximately 100 new regional sales offices and godowns over the next 5 years in India. For more details on our business plans over the next five years, please refer to the section entitled "Our Business" on page 47 of this Red Herring Prospectus.

We have earmarked Rs.100.00 million of the net proceeds of the Issue for setting up 40 of these new regional sales offices and godowns located at Ratnagiri, Ahmednagar, Akola, Nanded, Panjim, Cochin, Salem, Coimbatore, Belgaum, Mysore, Gulbarga, Warangal, Chandigarh, Pondicherry, Jaipur, Bhopal, Ahmedabad, Baroda, Raipur, Dhule, Beed, Jalgaon, Amritsar, Lucknow, Kanpur, Varanasi, Allahabad, Ranchi, Kolkata, Cuttak, Guntur, Bidar, Erode, Tiruchirapalli, Trishur, Thiruvananthapuram, Kottayam, Surat, Gwalior and Vishakhapatnam over the next 3 years.

We have estimated the expenditure for setting up of each such regional sales office at approximately Rs.2.50 million. These estimates are based on the following parameters:

Sr. No.	Particulars	Amount (In Rs. Million)
1.	Lease deposit for office and godown of totalling approximately 2,000 square feet	1.0
2.	Furniture	0.5
3.	Office Equipment	0.4
4.	Vehicle	0.6
	Total	**2.5**

5. *Repayment of Existing Long term Debts*

The Company has high cost long term borrowings aggregating to Rs. 192.36 million as on March 31, 2006 availed from various banks. We intend to use up to Rs. 192.36 million of the net proceeds of the Issue to repay such high cost debts to reduce the interest burden on the Company. The details of the amounts outstanding have been provided in the table below:

Serial No.	Name of Lender	Applicable Interest Rate (%)	Amounts Outstanding (Rs. million)
1.	Federal Bank	10.0	2.33
2.	Indian Bank	10.9	83.59
3.	Canara Bank	11.0	25.24
4.	Development Credit Bank Limited	11.0	41.15
5.	Lakshmi Vilas Bank limited	11.0	10.83
6.	UCO Bank	11.0	29.22
	TOTAL		**192.36**

The Company intends to utilize the proceeds of the Issue towards prepayment of the above facilities. None of these loans have pre-payment penalties or foreclosure charges. In view of the dynamic nature of our industry, the Company may have to revise its business plan from time to time and consequently our fund requirement may also change. Thus, the Company may alter the amount of prepayment of debt.

6. *Augmentation of Long Term Working Capital*

We have existing banking relationships with sanctioned working capital limits as provided in the section "Indebtedness" on page 106 of this Red Herring Prospectus. These limits and our internal accruals are adequate to meet our existing requirements. However, the Company will utilise a part of the net proceeds of the Issue to augment its long-term working capital requirements. As a matter of practice, we submit the data giving the detailed assessment of working capital on an annual basis to these banks. In this manner we will tie up the annual limits for working capital, including the enhancement if needed to meet further working capital needs, if any arising out of the implementation of the activities on a regular basis.

The business of the Company has grown manifold during last 5 years. Considering the existing growth rate and the proposed expansion, the total working capital needs of the company, as assessed based on the internal working of the Company is expected to reach Rs.2,646.31 Million by fiscal 2009. Part of the said requirement will be tied up with the existing consortium of Banks. We expect to use approximately Rs. 300.00 million of the net proceeds of the Issue to finance the balance long term working capital of the Company.

Our existing working capital requirements and the funding for the same is as follows:

(In Rs. million)

Particulars as on March 31, 2006		
Current Assets:		
Inventories	1,007.47	
Debtors	1,137.94	
Cash and bank balances	155.55	
Loans and advances	13.72	
	Total (A)	**2,314.68**
Current Liabilities and Provisions		
Sundry Creditors	883.37	
Other Current Liabilities	2.93	
Provision for Tax	135.83	
	Total (B)	**1,022.13**
Total Working Capital Requirements	**(A-B)**	**1,292.55**
Funding Pattern		
Indian Bank	73.09	
The Federal Bank Limited	70.29	
Canara Bank	83.17	
Development Credit Bank Limited	54.06	
The Lakshmi Vilas Bank Limited	29.03	
UCO Bank	102.62	
Andhra Bank	47.85	
United Bank of India	64.53	
Oriental Bank of Commerce	61.19	
State Bank of Travancore	73.21	
The Hongkong and Shanghai Banking Corporation Limited	120.40	
Standard Chartered Bank	73.90	
	Total (C)	**853.34**
Own funds	(D)	439.21
Total	**(C+D)**	**1,292.55**

Our expected working capital requirements for the fiscal 2009 are as follows:

(In Rs. million)

Particulars as on March 31, 2009		
Current Assets:		
Inventories	1,721.37	
Debtors	1,750.00	
Cash and bank balance	186.33	
Other current assets	347.14	4,004.84
Current Liabilities		1,358.53
Total Working Capital Requirements		2,646.31
Proposed Funding Pattern		
Working Capital funding from banks		1,200.00
Part Proceeds of the Issue		300.00
Own funds		1,146.31
Total		2,646.31

Assumptions for Working Capital requirements

Particulars	Number of days outstanding
Sundry Debtors	90
Inventories – Raw Material	60
- Finished Goods	45
Current Liabilities – Sundry Creditors	82

7. ***General Corporate Purposes***

Any excess amounts raised in this Issue will be utilised for the above purposes and general corporate purposes.

Appraisal

The funds requirement and funding plans are the Company's own estimates, and have not been appraised by any bank / financial institution.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Sl. No.	Activity	Expense (in Rs. Million)
1	Lead management fee and underwriting commissions*	[•]
2	Advertising and Marketing expenses	[•]
3	Printing and stationery	[•]
4	Others (Registrars fee, legal fee, etc.)	[•]
	Total estimated Issue expenses	[•]

*will be incorporated after finalisation of Issue Price

All expenses with respect to this Issue will be borne out of Issue proceeds.

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. GILT edged securities and other 'AAA+' rated interest bearing securities as may be approved by the Board of Directors or a Committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment. We also intend to apply part of the proceeds of the Issue, pending utilization for the purposes described above, to temporarily reduce our working capital borrowings from banks and financial institutions. Should we utilise the funds towards temporary reduction in utilization of short-term working capital facilities, we undertake that we would ensure consistent and timely availability of the issue proceeds so temporarily deposited in the working capital facilities to timely meet the fund requirement of the project.

Monitoring of Utilization of Funds

Our Board shall monitor the utilization of the proceeds of the Issue. The Company has also appointed Indian Bank as the monitoring agency to monitor the use of the proceeds of the Issue. The Company will disclose the utilization of the proceeds of the Issue under a separate head in the Company's balance sheet for fiscal 2007, 2008 and 2009 clearly specifying the purpose for which such proceeds have been utilized. The Company will also, in the Company's balance sheet for fiscal 2007, 2008 and 2009, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized and also indicating investments, if any, of such unutilised proceeds of the Issue.

No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, key managerial employees or companies promoted by our Promoters except in the normal course of business apart from as disclosed in this Red Herring Prospectus.

Expenditure already incurred on the Objects of the Issue

The expenditure incurred on various projects upto September 30, 2006, as certified by our auditors, pursuant to their certificate dated November 1, 2006 was Rs. 89.16 million as given in the table below. This expenditure has been presently funded by our internal accruals.

(In Rs. Million)

Sr. No.	Activity	Amount Spent
1.	Setting up and expansion of manufacturing facilities in Pune	
	Building under construction	39.98
	Plant and Machinery under erection	23.14
	Sub-total	**63.12**
2.	Purchase of existing factory land at Pune	3.68
3.	Repayment of Term Loans	22.36
	Total	**89.16**

In addition to the expenditures above, the Company has incurred Issue expenses of Rs. 11.04 million as on September 30, 2006, as set forth in the table below:

Sl. No.	Activity	Expense (in Rs. Million)
1.	Lead management fee and underwriting commissions	-
2.	Advertising and Marketing expenses	5.63
3.	Printing and stationery	-
4.	Others (Registrars fee, legal fee, etc.)	5.40
	Total	**11.03**

BASIS FOR ISSUE PRICE

The Price Band for the Issue shall be decided prior to the filing of the Red Herring Prospectus with the ROC. The Issue Price will be determined by the Company and in consultation with the BRLM on the basis of the assessment of market demand for the offered Equity Shares by the book building process. The face value of the Equity Shares of the Company is Rs. 10 each and the Issue Price is [•] times of the face value.

Qualitative Factors

Factors External to the Company

The AC Nielsen ORG MARG Report, a market study commissioned by the Company, estimates that the size of the Indian notebooks and stationery market is approximately Rs. 80,000 million as of fiscal 2005-06. This market is highly fragmented and dominated by unorganised manufacturers, with small, highly localised businesses. According to the AC Nielsen ORG MARG Report, approximately 80% of the Indian stationery market is controlled by "unorganised" regional manufacturers with limited production capacity. The small, disorganized stationery manufacturers are poorly equipped to serve the business, personal and educational needs of India's rapidly growing population and expanding economy. Thus a more organised segment of the industry with a national orientation and greater resources and ambitions has emerged. The developed of the organised players has been spurred by factors including:

- Overall improved economic environment, contributing to investment in modern equipment and infrastructure creation for industry;
- Enhanced availability of capital resulting in the development of economies of scale that allow for growth of capacity, expansion of network and improved quality;
- Greater consumer demand for higher quality branded products, resulting in part from increased urbanisation and a growing middle class along with the increased availability of higher quality imported products; and
- Significant population growth among children and adolescents and increased access to education.

Factors Internal to the Company

- We are a leading player in the Indian notebooks and stationery market, with over 30 years in the business.
- We have modern manufacturing facilities at Pune, which is spread over an area of 2.5 hectares, including a built-up area of approximately 10,300 square metres.
- We have converted 38,468 metric tons of processed paper into notebooks and exercise books during fiscal 2006.
- We have invested in high-quality, technologically advanced printing manufacturing equipment to help ensure the efficient production of high-quality printed notebooks and other products.
- We are able to achieve cost-efficiencies through our scale of operations and long experience in the industry and through our investment in technology.

Quantitative Factors

All the financial ratios pertaining to Blue Bird (India) Limited have been calculated on the basis of the restated financials.

1) Adjusted Earnings Per Share

Period Ended	EPS (Rs.)	Weight
6 months ended September 30, 2006	12.1*	3
12 months ended March 31, 2006	10.1	3
12 months ended March 31, 2005	10.7	2
12 months ended March 31, 2004	5.3	1

*Annualised EPS calculated by annualising EPS for the half year ended September 30, 2006 of Rs. 6.0.

I) EPS has been calculated as per the following formula:

(Net profit attributable to equity shareholders before exceptional items)/ (weighted average number of Equity Shares outstanding during the year / period)

II) Net profit, as restated and appearing in the statement of profits and losses has been considered for the purpose of computing the above ratio. The net profit is based on the restated unconsolidated financial statements of our Company.

2) Price to Earnings Ratio (P/E) in relation to price band of Rs. 90 to Rs.105

I) Based on fiscal 2006 EPS of Rs. 10.04 P/E ratio is 10.5 at the upper end of the price band and 9.0 at the lower end of the price band.

II) Based on weighted average EPS of Rs. 10.4 P/E ratio is 10.1 at the upper end of the price band and 8.7 at the lower end of the price band.

III) Industry P/E is 13.5

3) Return on Net Worth

Period	RoNW (%)	Weight
6 months ended September 30, 2006	40.2*	3
12 month ended March 31, 2006	41.0	3
12 month ended March 31, 2005	40.4	2
12 month ended March 31, 2004	22.3	1

*Accounting ratio for the half year ended September 30, 2006 is annualised.

I) RoNW has been calculated as per the following formula:
(Net profit after tax)/(net worth excluding preference share capital at the end of the period)

4) Minimum Return on total Net Worth after the Issue required to maintain pre-Issue EPS of Rs. 10.04 is 21.15% at the lower end of the price band and 19.59% at the higher end of the price band.

5) Net Asset Value (NAV) per Equity Share

I) As of March 31, 2006: Rs.24.49

II) After the Issue: Rs. 47.5 at the lower end of the price band and Rs. 51.2 at the higher end of the price band.

NAV has been calculated as per the following formula:

(Net worth excluding preference share capital at the end of the period) / (Total number of Equity Shares outstanding at the end of the period)

6) Comparison with Industry Peers

We believe the closest comparables to Blue Bird in the printing and stationery industry are Navneet Publications and Sundaram Multipap. In our view these are the only listed companies which derive a substantial portion of their income from the sale of notebooks. The following are figures for these two firms for fiscal 2006.

	TTM EPS (Rs.)	P/E Ratio	RONW (%)	Book Value per Share (Rs.)	Sales (Rs. in Millions)
Navneet Publications	4.0	15.1	20.0	19.3	2,944
Sundaram Multipap	1.4	11.9	30.6	3.8	674
Average		13.5			
Blue Bird India Limited					
Upper Price Band of Rs.105	11.04	9.5	41.0%	Rs. 24.5	4,016.99
Lower Price Band of Rs. 90	11.04	8.2	41.0%	Rs. 24.5	4,016.99

Source: Capital Market Corporate Scoreboard (October 23 – November 5, 2006; Industry – Printing & Stationery). Only select companies which derive a substantial portion of their income from the sale of note books have been identified as members of our peer group.

STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Income-tax Benefits available to Blue Bird (India) Limited (Formerly, Anil Apporv Printers & Manufacturers Private Limited) ('the Company') and its Shareholders

We hereby report that the enclosed annexure states the possible income-tax benefits available to the Company and its shareholders under the current direct 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 provision of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

The benefits discussed below are not exhaustive. This statements 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:

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

The contents of this annexure 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 and the interpretation of the current direct tax laws presently in force in India.

For M/s. Jayant V. Kolapkar & Co.
Chartered Accountants,

Jayant V. Kolapkar
Proprietor
Membership No. – 44878

For M/s. Shashank Patki & Associates
Chartered Accountants

Shashank Patki
Partner
Membership No. – 35151

Place: - Pune
Date: - November 1, 2006.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions as may be prescribed under the relevant sections of the Income-tax Act, 1961 ('the Act').

The following are the benefits that may be available to the Company and the prospective shareholders under the Act.

1. Benefits applicable to the Company /prospective shareholders

1.1 Dividends exempt under section 10(34) of the Act.

Dividends (whether interim or final) declared, distributed or paid by a domestic company are exempt in the hands of the Company/prospective shareholder, in its capacity as a registered shareholder, as per the provisions of Section 10(34) of the Act, if the same is subject to dividend distribution tax under section 115-O of the Act. However section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares is tax exempt in the hands of the shareholder.

1.2 Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of their holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D) or zero coupon bond (as defined in section 2(48) of the Act)) are considered to be long term capital assets if they are held for a period in excess of 36 months. However, shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D) or a zero coupon bond, shall be considered as long term capital assets if they are held for a period in excess of 12 months.

Consequently, capital gains arising on sale or share held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of mutual fund specified under section 10(23D) or a zero coupon bond held for more than 12 months would be considered as "long 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 wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. Further, 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 annually.

However, in context of transfer of shares of an Indian company held by a non-resident, the computation of long-term capital gains is to be determined in the foreign currency initially utilized for the purpose of acquiring the shares (As per the first proviso to section 48 of the Act). The capital gain (i.e. Sale proceeds less cost of acquisition/improvement) so computed in the original foreign currency is then required to be converted into Indian rupees at the prevailing prescribed rate of exchange. Accordingly, it may be noted that the benefit of indexation is not available if the shares are purchased in foreign currency by a non-resident.

1.3 Exemption of long-term capital gains.

- As per the provisions of section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004. However, in computing the 'book profits' of a company under section 115JB of the Act, income by way of long term capital gains is not to be reduced, if any such amount is credited to the profit and loss account.
- Additionally, in terms of section 88E of the Act, the securities transaction tax paid in respect of taxable securities transaction entered into the course of business would be eligible for a rebate from the amount of income-tax on the income chargeable under the head "Profits and gains of business and profession" arising from taxable securities transaction. Such rebate would be restricted to the amount of average rate of income tax on such income. As such no such deduction will be allowed in computing the income chargeable to tax as capital gains, for the amounts paid on accounts of securities transaction tax.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising from transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in "long term specified assets" (as defined under the said section) within six months from the date of transfer. Further, in the case of individuals, it may be noted that no deduction shall be available under section 80C, in respect of the amounts that are taken into consideration for the purpose of section 54EC of the Act.

In addition to the benefits mentioned above, the Company and its prospective shareholders would be entitled to the following specified benefits subjects to satisfaction of the conditions prescribed under the relevant sections of the Act.

2. Specified benefits available to the Company

The following benefits are in additions to the benefits provided in Paragraph 1, above.

2.1 Taxation of capital gains (other than those discussed in Paragraph 1.3 above)

Nature of gain	Benefits available / Rate of Taxation
Long term capital gain	• As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and 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 or zero coupon bonds, calculated at the rate of 20 percent with indexation benefits exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefits, then such gains are chargeable to tax at the rate of 10 percent without indexation benefits (plus applicable surcharge and education cess)
Short term capital gain	• Gains arising on transfer of a short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge and education cess) • However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess) if the transaction for sale is chargeable to securities transaction tax under Chapter VII the Finance (No.2) Act, 2004.

2.2 Unabsorbed depreciation and business losses.

As per the provisions of section 32(2) of the Act, where full allowance cannot be given to the depreciation allowance in any year, the same can be carried forward and claimed in the subsequent year(s). Further, as per the provisions of section 72 of the Act, unabsorbed business losses which is not set off in any previous year can be carried forward and set off against the business profits of the subsequent assessment year(s) subject to a maximum of eight assessment years. However, the carry forward and set off of business losses are subject to restrictions specified in section 79 and section 80.

2.3 Others

- Subject to compliance of certain conditions laid down in section 32 of the Act, the Company will be entitled to a deduction for depreciation:
  - In respect of tangible assets at the rates prescribed under the Income tax Rules, 1962,
  - In respect of intangible assets being in the nature of know-how, patents, copy-rights, trademarks, Licenses, franchises or any other business or commercial right of similar nature acquired on or after April 01, 1998 at the rates prescribed under the Income tax Rules, 1962.
- Under section 35D of the Act, a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issued for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and the conditions stated under the said section.
- Under section 115JAA(1A) of the Act, credit shall be allowed for any tax paid under section 115JB of the Act (MAT) for any assessment year commencing on or after April 1, 2006 against the tax payable under the provisions of the Act other than section 115JB. Such set off is however restricted to the difference between tax on income computed in accordance with the provision of the Act other than section 115JB and tax payable under section 115JB. Credit eligible for carry forward is the difference between MAT paid and tax computed as per the provision of the Act excluding section 115JB. Such MAT credit shall not be available for set-off beyond seven years succeeding the year in which the MAT credit initially arose.

3. Benefits available to resident individual shareholders

The following benefits are in addition to the benefits stated in Paragraph 1 above.

3.1 Income of a minor exempt up to a 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 exempt from tax to the extent of Rs.1,500 per minor child.

3.2 Taxation of Capital gains (other than those discussed in Paragraph 1.3 above)

	Rate of taxation/ Benefit available
Long term capital gain	• As per the provision of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at rate of 20 percent (plus applicable surcharge and 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 or zero coupon bonds, 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 and education cess).

	Rate of taxation/ Benefit available
	• As per the provisions of Section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to income-tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.
Short Term Capital Gain	• Gains arising from the transfer of short-term capital assets are currently chargeable to tax at 30 percent (plus applicable surcharge and education cess). • However as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004

4. Benefits available to Non-Resident Indian (as defined in Section 115C(e) of the Act) shareholders

The following benefits are in addition to the benefits stated in Paragraph 1 above :

4.1 Income of a minor exempt up to a 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 exempt from tax to the extent of Rs.1,500 per minor child.

4.2 Taxation of capital gains – Options available under the Act (other than those discussed in Paragraph 1.3 above)

(A) Where shares have been subscribed in convertible foreign exchange – Option available 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:

- As per 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 an Indian company's shares will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- As per provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising from the 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 a period of six months from the date of transfer in any specified asset (As defined under section 115C(f) of the Act) or savings certificates (As referred to in clause (4B) of section 10 of the Act). If only part of such net consideration is so in vested, then such gains would not be chargeable to tax on a proportionate basis.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source is income from investments or long term capital gains or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the 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 certain specified assets (as prescribed in section 115H) for that year and subsequent assessment years until such assets are transferred or converted into money.
- As per the provisions of section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

(B) Where the shares have been subscribed in Indian Rupees.

Nature of Gain	Rate of taxation/Benefit available
Long term capital gain	• As per the provision of section 112(1)(c) of the Act, long-term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). • However, as per the proviso to section 112(1) of the Act, if the tax payable in respect of long term capital gain resulting on transfer of listed securities or units or zero coupon bonds, 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 and education cess). • As per the provisions of Section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of long term capital asset (not being a residential house) are not chargeable to income-tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.
Short term capital gain	• Gains arising from the transfer of short-term capital assets are currently chargeable to tax at 30 percent (plus applicable surcharge and education cess). • However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

4.3 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 Indian.

5. Benefits available to other Non-Residents shareholders

The following benefits are in addition to the stated in Paragraph 1 above.

5.1 Income of a minor exempt up to a 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 exempt from tax to the extent of Rs.1, 500 per minor child.

5.2 Taxation of capital gains (other than those discussed in Paragraph 1.3 above)

	Benefits available
Long term capital gain	• As per the provisions of Section 112(1)(c) of the Act, long term capital gains would be subject to tax at the rate of 20 percent (plus applicable surcharge and 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 or zero coupon bonds, 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 and education cess) • As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax to the extent the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed.
Short term capital gain	• As per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund be taxable at 10 percent (plus applicable surcharge and education cess), if the transaction for sale is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act 2004.

5.3 Provisions of the Act vis-à-vis provisions of the 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.

6. Benefits available to Foreign Institutional Investors ("FIIs")

The following benefits are in addition to the benefits stated in paragraph 1 above.

6.1 *Taxability of capital/gains (other than those discussed in Paragraph 1.3 above)*

As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rated.

Nature of Income	Rate of Tax
Long term capital gains	10 percent
Short term capital gains	30 percent/10 percent (*Reduced rate of 10 percent if the transaction for sales is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004).*

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation adjustment as provided by section 48 of the Act are not available to FIIs.

In accordance with the provisions of section 196D(2), no deduction of tax shall be made from any income, by way of capital gains arising on transfer of securities referred to section 115AD payable to a FII.

6.2 *Provisions of the Act vis-a-vis provisions of the 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.

7. 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 and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as may be prescribed in this behalf. In addition, in accordance with the provisions of section 10(35) of the Act any income by way of income received in respect of units of a Mutual Fund specified under section 10(23 D) is exempt from tax in the hands of the recipient.

8. Benefits available to Venture Capital Companies/Funds

As per the provisions of section 10(23FB) of the Act, income of;

- Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by the Unit Trust of India, which has been granted a certificate under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking, are exempt from income-tax. However, the income distributed by the Venture Capital Companies/Funds to its investors would be taxable in the hands of the recipients.

9. Benefits available under the Wealth Tax Act, 1957.

Shares of a company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957. Hence shares of the company are not liable to wealth tax.

SECTION IV: ABOUT THE COMPANY

INDUSTRY

The information in this section is derived from various government and other public sources. In particular, we have relied on a report by AC Nielsen ORG MARG on "The Market for Paper-based Notebook Products in India" dated May 31, 2006 (the "AC Nielsen ORG MARG"). The AC Nielsen ORG MARG Report was commissioned by us for the purpose of confirming our understanding of the industry in connection with the offering. Neither we nor any other person connected with the Issue has verified this information. Prospective investors are advised not to rely on it unduly when making their investment decisions.

The AC Nielsen information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packaged goods manufacturers and others in the consumer goods industry. This information should not be viewed as a basis for investment and references to AC Nielsen should not be considered as AC Nielsen's opinion as to the value of any security or the advisability of investing in the Company.

The Indian Stationery and Notebook Industry

The Indian stationery industry is built on the manufacture and trade of a broad range of paper products, writing instruments, computer and office stationery, and related items other than greeting cards, calendars or gift wrap. The industry as a whole, and the market for notebooks and exercise books in particular, is closely tied to the evolving and growing national economy and population. As the overall economic environment in India has improved, demand by businesses and increasingly well educated consumers has driven growth in the stationery industry.

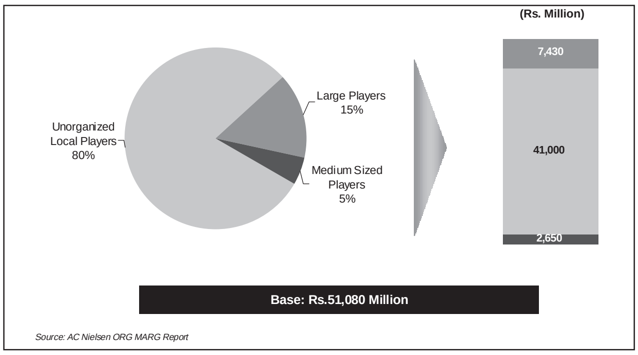
According to the AC Nielsen ORG MARG Report, the Indian stationery and notebook market is approximately Rs. 80,000 million as of fiscal 2005-06, of which Rs. 51,000 million is attributable to the sale of notebooks and exercise books. Total exports of paper based notebooks from India was 3% of domestic sales or Rs. 1,550 million in FY06.

The notebook industry can be broadly segmented into four categories of end users: students, schools and education authorities, offices and business customers and personal use. Out of these segments, the student population has the largest share or 80% of total consumption. Offices and business customers make up 10% of total demand while schools and education authorities are important customers with 7% of total consumption. Personal use of notebook products contributes the balance 3% of total demand.

Industry Characteristics and the Competitive Landscape

The Indian stationery and notebook industry is highly fragmented and dominated by unorganised manufacturers, with small, highly localized businesses. According to the AC Nielsen ORG MARG Report, approximately 80% of the Indian stationery market is controlled by "unorganized" regional manufacturers. Only the remaining 20% of the market is organized out of which 15% is controlled by the large players and the balance 5% is controlled by the medium sized players. The following graphic illustrates the breakdown of the total estimated market size of the industry for FY06:

Organised vs. Unorganised Segment Market Share and Total Market Size of Notebook Industry



The following table highlights the differentiating characteristics of the organised and unorganised segments in the Indian stationery and notebook industry.

	Unorganised Segment	Organised Segment
PRODUCT QUALITY	■ Inferior standards and lower quality products	■ Superior standards and higher quality products
PRICING POWER	■ Volatile, market-driven pricing	■ More stabilised pricing
CAPACITY AND SCALE	■ Production capacity is limited, restricting development of economies of scale	■ Production in sizable quantities, giving benefit of economy of scales.
TECHNOLOGY	■ Absence of quality machines for production and high dependency on manual processing	■ Relies on high quality, sophisticated machines for production
DISTRIBUTION REACH	■ Existence in local market	■ National presence
INDUSTRY CONCENTRATION	■ More than 1,000 market participants across India in the industry	■ A small number of large, national participants dominate the market with about 10 key brands

The fragmented and unorganised character of the industry is the result of a number of factors, including:

- A fragmented retail market concentrated in small, independent retail outlets, with little consolidation and limited nationwide purchasing; and
- High costs in the industry of production technology, facilities and raw materials making it difficult to create the economies of scale necessary for market participants to expand operations, acquire higher quality raw materials and invest in sophisticated machinery to improve product quality and reduce per unit cost.

Because of the fragmented and unorganised character of the industry, we have observed that growth and innovation has been less rapid in the Indian notebook and stationery than in other countries. In particular, we believe that the high cost of production and the inability of local producers to achieve economies of scale have resulted in generally lower-quality products than those found in markets outside India. The small businesses comprising the unorganised segment of the Indian stationery and notebook industry have also, because of their smaller size, generally not been subject to the same close scrutiny in respect of standards that is generally applied to larger businesses.

Despite the unorganised character of the Indian stationery and notebook industry overall, certain large, nationally oriented producers have begun to emerge, forming the organised industry segment.

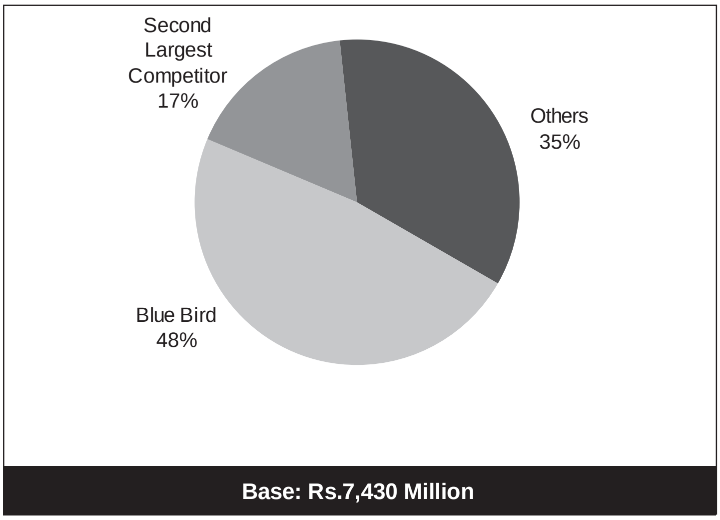
The small, disorganized stationery manufacturers are poorly equipped to serve the business, personal and educational needs of India’s rapidly growing population and expanding economy. Thus a more organised segment of the industry with a national orientation and greater resources and ambitions has emerged. The development of the organised players has been spurred by factors including:

- ■ Overall improved economic environment, contributing to investment in modern equipment and infrastructure creation for industry;
- ■ Enhanced availability of capital resulting in the development of economies of scale that allow for growth of capacity, expansion of network and improved quality;
- ■ Greater consumer demand for higher quality branded products, resulting in part from increased urbanisation and a growing middle class along with the increased availability of higher quality imported products; and

- Significant population growth among children and adolescents and increased access to education
- Higher outlay of funds by the Government of India for education in both rural and urban sectors

As per AC Nielsen ORG MARG Report there are approximately 10 key organised players in the paper based notebook products industry in India. As of May 31, 2006 we have the highest market share of 48% out of the 15% of the total market share that is controlled by the large players in the organized market for paper-based notebook products in India according to a market study commissioned by the Company conducted by AC Nielsen ORG MARG. The second largest player has a market share of 17% and the remaining 8 other players have a combined market share of 35%.

Market Share of Organised Segment Players in the Paper Based Notebook Industry



Source: AC Nielsen ORG MARG Report

Product Distribution

There has been very little concentration or consolidation of retailers who sell stationery and notebook products in India. Whilst other markets, such as the United States or Europe, have witnessed the emergence of large chains of specialist stationery and office supply retailers and the creation of national chains of large retailers that sell stationery and notebooks as part of a broad offering, the retail market for stationery and notebooks in India remains focused on small, independent retailers. As a result, small retailers, whether based in an urban area or in one of the more remote parts of India, continue to be an important point for direct distribution of stationery and notebooks by the manufacturers.

Within the unorganised segment of the Indian stationery and notebook industry, product distribution is largely local and almost entirely handled by small retailers. Local stationery and notebook producers supply small retailers in some of the most remote areas in India.

Product distribution channels for the organised segment of the Indian stationery and notebook industry include wholesalers, distributors, retail outlets and direct sales.

- ***Wholesalers***—Wholesalers generally maintain stock of stationery and notebooks by various manufacturers, regardless of its quality or its price. They have a strong, established position in the market, and they are able to leverage that position, along with accumulated goodwill with consumers and relationships with suppliers, to push through large quantities of products of varying quality. Wholesalers generally purchase products based on a pre-agreed discount structure, and suppliers often agree to flexible payment terms from wholesalers because of long-standing relationships with them. According to the AC Nielsen ORG MARG Report, typical industry practice is to offer 20-25% discount on bulk purchases and 2-5% additional discount on prompt payment. Credit terms average 30 to 60 days but can extend up to 90 days for the best customers.

- ***Distributors***—In addition to wholesalers, manufacturers also sell their stationery and notebook products through established networks of distributors, who in turn sell products to retailers. Manufacturers provide support for products sold through their distributors through various publicity and advertising campaigns. For Distributors industry practice is to offer 20-25% discount on bulk purchases and 2-5% additional discount on prompt payment. Credit terms average 30 to 60 days but can extend up to 90 days for the best customers.
- ***Retailers—***Wholesales and distributors channel their sales to the end user through various small shops. Manufacturers also sell stationery and notebooks directly to retailers. These retail outlets play a dominant role in pushing the product through to the end users and are widely dispersed, including in extremely rural parts of the country.
- ***Direct Sales—***Some FMCG manufacturers in the organised segment of the Indian stationery and notebook industry have begun to establish their own retail outlets in certain regions. However, these outlets have had limited success against the existing distribution structure of the industry, particularly due to the strength of the existing network of small retailers in more remote areas of the country. Direct sales to institutions have greater importance in the office and business user segment and in higher value added activities undertaken by notebook and stationery manufacturers such as contract printing and publications. For Direct Sales we estimate that the industry practice is to offer 10-15% discount and credit terms of average 15 to 30 days.

Industry Drivers

The most important drivers of consumption in the Indian notebook and stationery industry are:

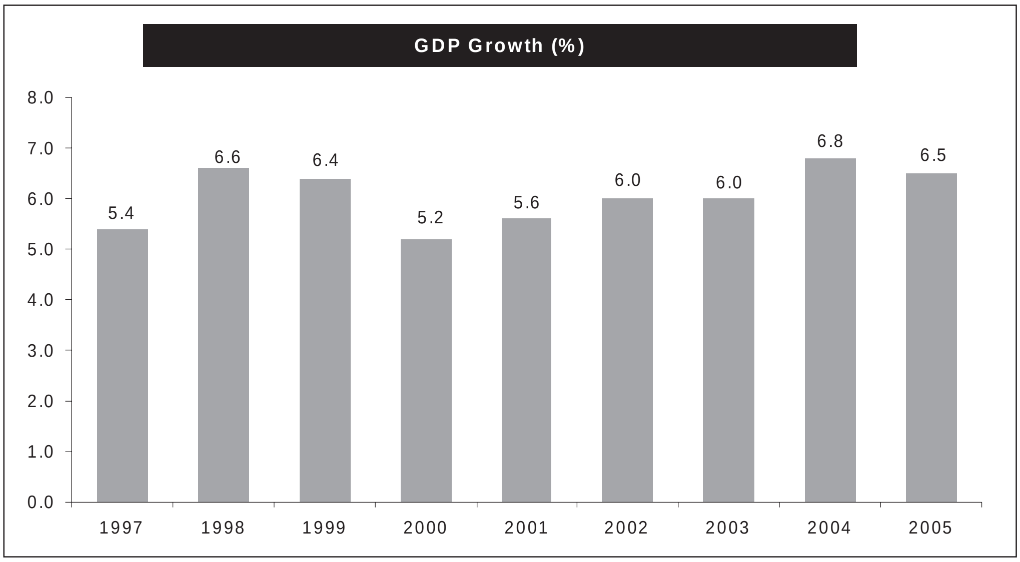
- The strength of the economy;
- The growth of consumerism and increased urbanisation;
- Large population with attractive age profile;
- Increased rates of literacy;
- Increased rates of education; and
- Increased Government outlay for the education sector.

Economic Drivers

A strong economy contributes to consumption of stationery products in all sectors - office, education and personal consumers, as do increased consumerism and urbanisation. In particular, increased consumerism and urbanisation drive demand for higher quality and premium products. Increased economic growth is resulting in an increase in the middle class, which in turn is fuelling the consumer boom and demand for notebook and stationery products

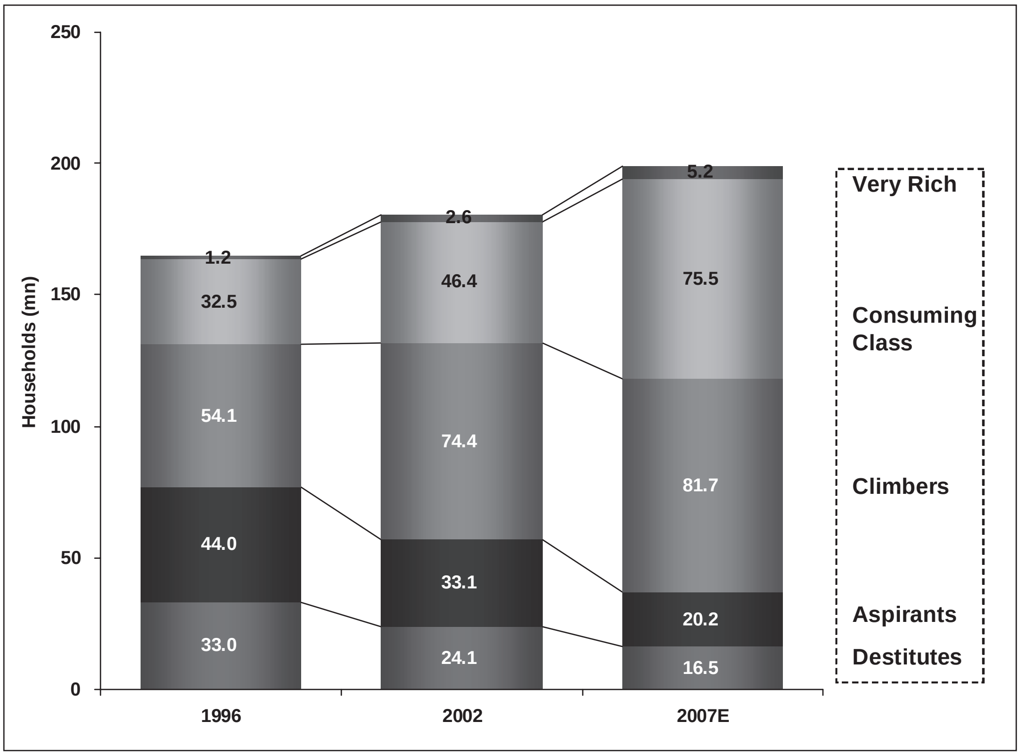
The following tables illustrates the growth of the Indian economy and middle class.

Real GDP Growth Rate in India (1997 – 2005)



Source: AC Nielsen ORG MARG Report

Growing Middle Class



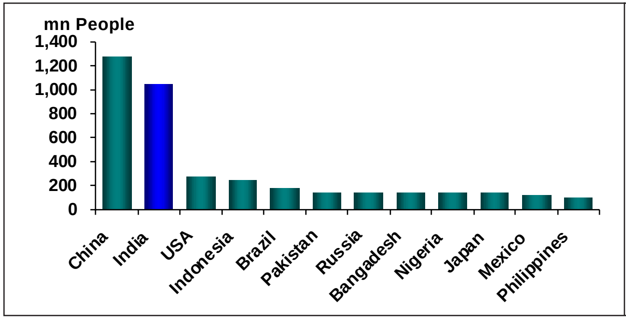
Source: Statistical Outline of India, 2005-2006, Tata Services Limited

In addition, although the increased use of electronic media, including e-mail and other forms of paperless communication have increased, demand for paper stationery products in India has not declined because paper communication often accompanies the use of electronic communication and because computers have relatively low penetration in India.

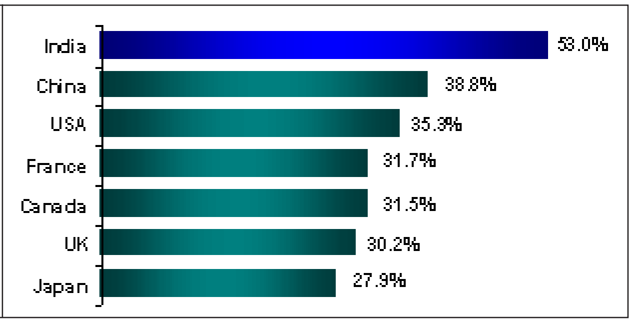
Demographic Drivers

India has the second largest population in the world and the percentage of population below 25 years of age is rising. This group constitutes the core potential market of the education-pursuing population.

Total Population



Population below 25 years



Source: Statistical Outline of India, 2005-2006, Tata Services Limited

Literacy and Education

Increased rates of literacy and improved school attendance result in greater demand for stationery products and notebooks, particularly in the educational segment. Low literacy levels in India have historically limited the growth of the stationery and notebook industry. However, according to the 2001 Census, between 1999 to 2002 the literacy levels among the population from the ages of 7 to 24 in India increased from 57.9% to 65.4%. The AC Nielsen ORG MARG Report estimates the total literate population within this age group at 257 million, representing an estimated annual notebook market of Rs. 51,000 million. The AC Nielsen ORG MARG Report anticipates that this market will increase to Rs. 82,080 million in the year 2011, with a total literate population between the ages of 7 and 24 of 342 million.

This growth in literacy is due in large part to the improved and expanded education system in India. Today, with 348 universities and approximately 10.5 million students, India has the third largest education system in the world behind China and the United States. National spending on education has increased to 4% of the GDP, and about half of the money spent on education in the public sector is on elementary education. According to the AC Nielsen ORG MARG Report, in urban areas, per capita spending on education grew at a rate of 200% from 1983 to 2003. We expect that future generations in India will be increasingly literate and educated and demand for notebook and stationery products and other printed matter will rise accordingly.

According to the AC Nielsen ORG MARG Report, outside metros and other major cities in India, per capita spending on education grew at a rate of 262% from 1983 to 2003. We expect that the growth in literacy rates will increase further, particularly where literacy rates are far below the national average. This is expected, in turn, to increase demand for stationery products.

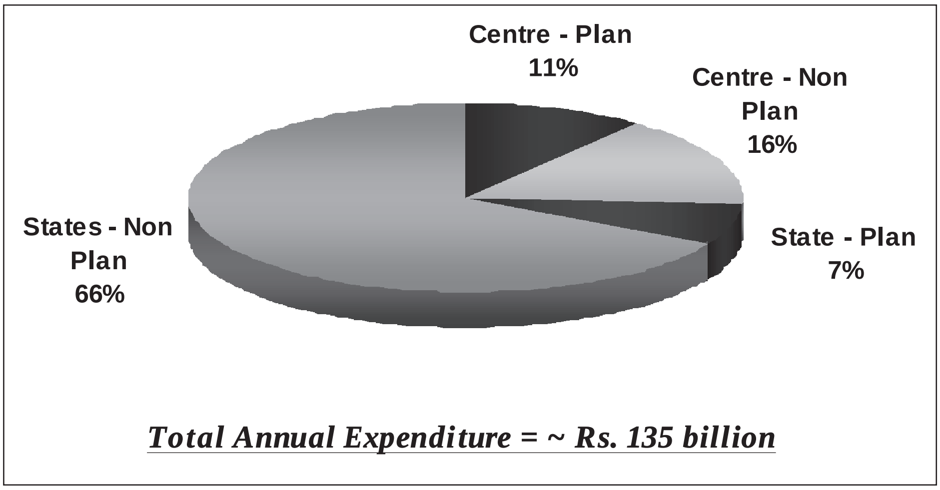
School attendance and school improvements, especially at the secondary and college level, drive the market for stationery products—particularly notebooks. According to the AC Nielsen ORG MARG Report, approximately 87% of consumers of notebooks are students or educational authorities. The following table shows the growth of per capita spending on education over the last two decades:

	Per Capita Spending on Education (as a percentage of GDP) for the year			
	1983	2003	20 Year Growth	Compounded Annual Growth Rate
By Type of Region				
Urban	2.1%	6.3%	200.0%	6.0%
Rural	0.8%	2.9%	262.6%	7.0%
All India	1.2%	4.4%	266..7%	7.1%

Source: Economic Survey of India

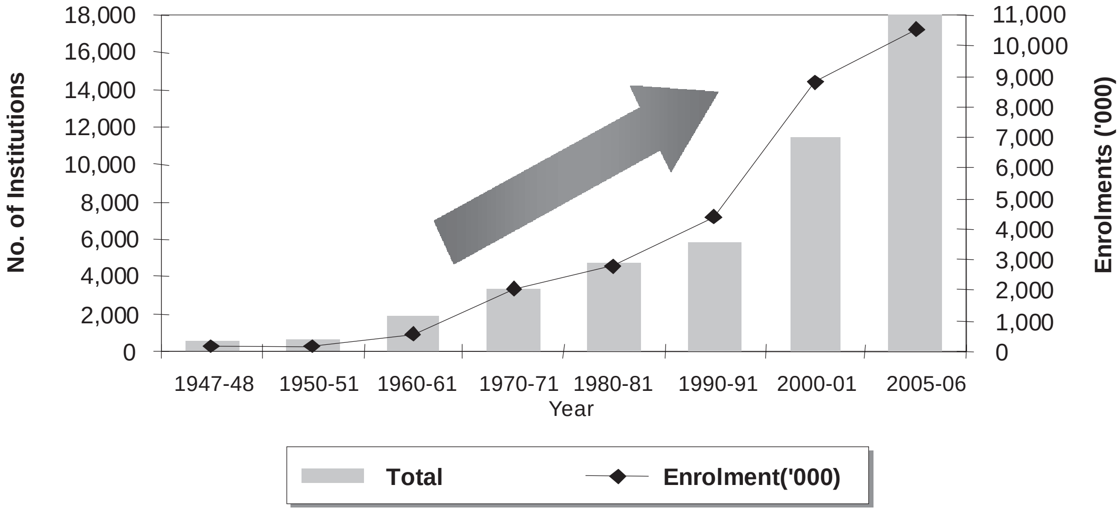
As the following table illustrates, school attendance has risen at all levels of education.

Public Spending on Education



Source: AC Nielsen ORG Marg Report

Number of Educational Institutions and Total Student Enrolments



Source: AC Nielsen ORG MARG Report

If the trend toward increasing school attendance continues, it is expected that the notebook segment of the stationery and notebook industry will continue to grow.

The Indian Commercial Printing Industry

Commercial printing includes commercial printing of both literature and packaging to order, as well as publishing of printed materials.

Since 1989 the Indian commercial printing industry, which includes the packaging industry, has experienced a compound annual growth rate of over 14% according to the Indian Printing, Packaging and Allied Machinery Manufacturers' Association (IPAMA). The IPAMA estimates that the printing industry in India has a capital investment of Rs. 79,000 million consisting of more than 130,000 presses and employs approximately 1.3 million. The growth of the Indian commercial printing industry has been driven by the growth of the Indian economy.

The Indian Publishing Industry

The publishing industry, which is also a sub-sector within the commercial printing industry, includes the publication and printing of various forms of printed matter. Unlike the commercial printing industry, which focusses principally on the printing of content produced without the involvement of the printer, publishers develop or commission the content of published materials, print the published materials and promote the published materials.

OUR BUSINESS

Overview

Under the "Blue Bird" brand, we are the leading manufacturer of paper-based notebook products (student/ exercise books), with a strong presence in western and southern India. According to the AC Nielsen ORG-MARG Report, approximately 80% of the Indian stationery market is controlled by "unorganised" regional manufacturers. Only 20% of the market is organised out of which 15% is controlled by the large players and the balance 5% is controlled by the medium sized players. As of May 31, 2006, we have the highest market share of 48% out of the 15% of the total market share that is controlled by the large players, in the organised market for paper-based notebook products in India, according to a market study commissioned by the Company conducted by AC Nielsen ORG-MARG. We also manufacture other stationery products like files, perforated pads, registers and filler papers as part of our business. We also print text books and engage in other bespoke commercial printing of items such as calendars and diaries, leaflets and product pamphlets and instruction materials and publish books and other materials, as well as publishing in-house produced content. We and our predecessor businesses have over 30 years of experience in the printing business. Our Registered and Corporate Office and our printing and manufacturing facilities are located at Pune, in the State of Maharashtra. We currently sell our notebooks and other stationery products principally in western India, including the State of Maharashtra. We are also present and expanding our presence in southern India, including Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Our commercial printing and publishing businesses serve customers principally in the State of Maharashtra, but also throughout India. During fiscal 2005, we also began export of printed materials, including textbooks and notebooks to Kenya, Ghana and South Africa. We plan to expand both our market presence within India, with plans to develop facilities in southern India during fiscal 2007 and 2008, and our market presence in sub-Saharan Africa, with increased marketing efforts and penetration there.

The respective contributions to our total revenue of our notebook sand stationery, commercial printing and publishing businesses for the year ended March 31, 2006, 2005 and 2004 is set forth in the following table:

		Year ended March 31,		
		2006	**2005**	**2004**
Notebooks and Stationery	Rs. Millions	3,530.06	2,960.61	1,309.55
	As % of total revenues	*87.9%*	*89.3%*	*80.3%*
Commercial Printing	Rs. Millions	157.94	123.66	119.65
	As % of total revenues	*3.9%*	*3.7%*	*7.4%*
Publication	Rs. Millions	242.36	198.12	199.24
	As % of total revenues	*6.0%*	*6.0%*	*12.2%*
Exports	Rs. Millions	78.82	25.47	Nil
	As % of total revenues	*2.0%*	*0.8%*	*Nil*
TOTAL SALES	**Rs. Millions**	**4,009.18**	**3,307.86**	**1,628.44**
	As % of total revenues	***99.8%***	***99.7%***	***99.9%***

Our Strengths

We plan to continue to capitalise on what we believe to be our key strengths:

- ***Leading player with over 30 years experience in the notebook and stationery industry.*** We are a leading player in the Indian notebook and stationery market, with over 30 years in the business. From our beginnings as two independent Pune-based stationery manufacturing proprietary concerns whose entire assets we took over in 1999, we have moved into the organised sector of the stationery industry. Today, "Blue Bird" is one of a small group of notebooks and stationery brands that have a regional or national presence in India. Our leading player status and experience allow us to leverage our existing in-house skills, relationships with our customers and market visibility to further enhance our existing strength in the notebook and stationery industry and to expand our product offerings and geographic presence, both within India and in the sub-Saharan African market.

- ***Large-scale, versatile manufacturing infrastructure.*** We compete with both small, manufacturers with limited geographic reach and technical operations in the unorganised segment of the notebook and stationery industry and with other larger manufacturers in the organised segment of the notebook and stationery industry. Our manufacturing facilities at Pune, which are spread over an area of 2.5 hectares, including a built-up area of approximately 10,300 square metres converted 38,468 metric tons of processed paper into notebooks during fiscal 2006. Our average production of notebooks per day is approximately 131 metric tons of notebooks. Moreover, we believe that we are one of the few players in the notebook and stationery industry in India that is also able to produce a broad variety of stationery products and to carry out a wide range of printing and publishing jobs, including books and textbooks, notebooks and diaries and various other printed materials.

  We believe that this large-scale and versatile manufacturing infrastructure gives us a significant advantage over unorganised printers in the student/exercise book and stationery industry and allows us to compete more effectively with organised manufacturers in the sector and to expand into commercial printing and publishing while competing effectively with established players in that industry. Our large-scale, versatile operations allow us to develop efficient and cost-effective processes for different products at short notice and to maintain capacity to take on new opportunities as they arise. As a result, we are able to reach a large market through the scale of our operations and to provide a product mix that responds to customer demands in a timely fashion.

- ***High-quality products.*** We have invested in high-quality, technologically advanced printing manufacturing equipment to help ensure the efficient production of high-quality printed notebooks and other products. The scale of our operations and our experience in the business, have enabled us to provide higher quality products in response to demands from customers for more "premium" student/exercise book products. We believe our high-quality products set us apart from the unorganised sector of the stationery industry. We also believe that our investment in technology also allows us to provide a higher quality to our commercial printing customers and in our publications, allowing us to attract new customers and differentiate ourselves from smaller competitors.

- ***Cost-efficiencies through scale, experience and technology.*** The stationery, printing and publishing industries are dependent on raw materials. In particular, the cost of the paper from which we produce our products is our single largest operating expense. We are able to achieve cost-efficiencies through our scale of operations and long experience in the industry and through our investment in technology. In particular, the size of our operations and long-standing relationships with suppliers allow us to achieve cost-savings through bulk purchases and better rates. Our investment in modern machinery has also allowed us to achieve significant cost efficiencies through a reduction in wastage.

Our Strategy

We strive to maintain and extend our leadership position in the Indian student/exercise book and stationery industry, and improve our product mix and capacity utilisation to develop a stronger market position in the commercial printing and publishing industries, both nationally in India and internationally. In order to meet these objectives, our business strategy is based on the following:

- ***Diversifying our product mix.*** Student/exercise book and stationery sales accounted for 87.9% and 89.3% of our total revenues in fiscal 2006 and fiscal 2005, respectively. We plan to diversify our product mix, both within our student/exercise book and stationery range and in our commercial printing and publications ranges. In our student/exercise book and stationery range, we plan to take advantage of higher margins that can be realised for products such as diaries and other stationery products designed for personal use by further expanding our offerings in that area. In addition, we plan to emphasise our commercial printing and publication businesses, which also generate higher margins than those available from sales of notebooks and other stationery products, taking advantage of existing customer relationships and brand recognition to further establish ourselves in these markets. Our average capacity utilisation for binding of standard notebooks was 74.3% in fiscal 2006 and 85.4% in fiscal 2005. Our other printing equipment, which we currently use principally to print the covers of our student/exercise book products, has operated at approximately 50.9% and 47.3% capacity during the same period in fiscal 2006 and fiscal 2005 respectively. Because our printing technology provides significant adaptability and allows us to change products with relative ease, we plan to use the extra capacity available in these printers to expand our range of stationery and our commercial printing and publication operations.

As part of our strategy to diversify our product mix and in order to take advantage of cost benefits available from outsourcing, we have begun to outsource some of the printing of our student/exercise book products, which we believe require less technical skill than the other product ranges into which we have begun to venture. The notebooks bear the “Blue Bird” brand and are checked to help ensure that they meet our quality standards. This outsourcing has freed capacity in our manufacturing facilities and has allowed us to concentrate on diversifying our product offering toward more high-quality and high-value items, as well as providing us with cost advantages in procuring our raw materials.

- ***Increased market penetration through the creation of additional regional offices***. As part of our effort to further develop our position in the Indian student/exercise book and stationery market, as well as in the commercial printing and publication markets, we plan to add approximately 100 regional sales and marketing offices over the next five fiscal years, opening approximately 40 new offices in the next three years. These regional sales and marketing offices are an important part of our sales and distribution processes. Most orders for our student/exercise book and stationery products, from both the retailers and the wholesalers or dealers who form our customer base for our student/exercise book and stationery products, are generated through these offices, and these offices are also a key point for our marketing efforts. These offices also provide the point from which products are distributed to and collected from retailers. As a result, the development of these offices is an important part of our plans to create penetration for our products into new areas and segments and to increase penetration into already existing areas and segments.

  As of May 31, 2006, we operate 18 regional sales and marketing offices, and we plan to open an additional 10 such offices during fiscal 2007, 20 offices in fiscal 2008 and 10 offices in fiscal 2009. We expect to have a total of 100 additional regional sales and marketing offices by the end of fiscal 2011. We plan to add some of the new offices in regions where we already have existing market presence and where we believe we have opportunities to gain increased market shares, including, during fiscal 2007, offices in or near: Ratnagiri in Maharashtra; Panjim in Goa; Cochin and Thiruvananthapuram in Kerala; Belgaum, Mysore and Gulbarga in Karnataka; Coimbatore in Tamil Nadu; and Pondicherry. We also plan to add one new office in a region where we have not previously had a market presence but where we believe the absence of a strong organised sector or other factors will provide us with the opportunity to grow our market share. During fiscal 2007, we plan to open such an office in a new market in or near Salem in Tamil Nadu. By growing our footprint, we hope to expand our market penetration and visibility.

- ***Enhancing the “Blue Bird” brand.*** We believe that the “Blue Bird” brand is one of the few nationally recognised brands for notebooks and stationery products. We plan to enhance the visibility of the “Blue Bird” brand, both within the notebook and stationery industry and in our commercial printing and publishing business. We have recently introduced a new logo, which appears on the cover of this document, that we believe will add value and visibility to our brand. We believe that by offering a recognised, branded product, we have an important advantage over players in the unorganised segment of the notebooks and stationery sector in India. We also believe that the recognition enjoyed by the “Blue Bird” brand in the student/exercise book and stationery sector can be leveraged in our commercial printing and publishing businesses. We therefore plan to enhance the visibility of the “Blue Bird” brand by increasing market penetration of the brand through various efforts, including the growth of our sales and marketing office network, heightened spending on advertising campaigns and expansion of "Blue Bird" branded products to other regions.

- ***Increase capacity and extend our distribution capabilities.*** Presently we manufacture and distribute all our products across India from our plant at Pune. Increasing demand from southern India and the need for a reduction in time and cost of distribution of our products in south India has resulted in the need to establish a manufacturing facility of comparable size and scope in south India. This would help in improving operational efficiencies in procurement as well as distribution since work would be carried out from a location which is nearer to our key markets in south India. The manufacturing facility will be approximately 5,000 square metres and feature similar European-made machinery as our current facility at Pune. We are currently in the process of selecting an appropriate site of approximately five acres located in southern India and expect to finalize the location and commence construction work by January 2007. We are also currently in the process of increasing the capacity of our existing plant at Pune to manufacture notebooks and print and publication products. Please see section describing "Objects of the Issue" on page 20 of this Red Herring Prospectus for a cost estimate of the proposed expansion as well as portion of issue proceeds to be used for this purpose.
- ***Expanding internationally.*** During fiscal 2005, we made our first exports. Since then, we have continued to build our sub-Saharan export business, which is concentrated in Ghana, Kenya and South Africa. In addition, national governments in partnership with various international and regional organisations, such as the United Nations Educational, Scientific and Cultural Organisation, have increased investment in education and literacy programs to improve literacy rates in sub-Saharan Africa, which we believe will create additional demand for commercially printed materials and notebooks.

  We believe that we can provide printed material, including notebooks, stationery and text books to customers in sub-Saharan Africa more efficiently than European or North American printers. We also believe that we can provide such materials to other markets, including in Europe and North America, more cost-effectively than local printers in those areas. We have begun to market our stationery products and commercial printing to potential customers in North America. We believe that by expanding internationally, we will create stronger global brand recognition and greater revenue opportunities both within and outside India.

Our Products

Our principal product is notebooks (including childrens' workbooks and similar materials) and stationery products. Notebook and stationery sales accounted for approximately 87.9% and 89.3% of our total revenues in fiscal 2006 and fiscal 2005, respectively. In addition, we also provide commercial printing services to order and publish books on various subjects.

Notebooks and Stationery

Our notebooks and stationery products are designed for educational use, office use and for home and personal use. We also produce various office stationery and stationery designed for personal use. All our notebook and stationery products are sold under the "Blue Bird" brand. Our product offering of notebooks ranges from basic notebooks to premium quality products. We produce soft cover and hard bound notebooks, with a variety of cover materials and of cover designs ranging from plain, single colour covers to covers featuring sophisticated, multi-colour designs. We are also able to provide a variety of bindings, including stitched and taped bindings as well as hard bound binding and spiral binding. Our broad range of notebooks is designed to appeal both to cost-conscious consumers who seek a utilitarian product that will meet their basic needs for notebooks as well as more quality- and style-conscious consumers who seek a premium product not available from manufacturers in the unorganised segment of the notebook and stationery industry in India. We are also able to provide made to order notebooks in bulk quantities on a contract basis.

In addition to notebooks, we also produce a range of stationery products designed for the office, including executive notepads, arch-lever files and office files and folders. We have also developed our range of premium stationery, including diaries. We have developed both the office range and the premium range of stationery products to cater to the increased business activity and growing middle class consumer demand that has accompanied the growth of the Indian economy.

Commercial Printing

We have sought and continue to seek to grow our commercial printing operations to take advantage of the growth of the Indian economy and increased demand for printed materials connected with growing business in India. In general, we are able to generate higher margins from our commercial printing operations than from our notebook and stationery products, because we are able to charge a higher premium for these products with only limited additional input on our part.

We provide commercial printing services in a wide variety of areas:

- Text books and other made-to-order books;
- Product brochures, catalogues and instruction materials;
- Diaries and calendars;
- Magazines and other publications;
- Business forms;
- Annual reports.

When we produce printed materials for our commercial printing customers, we use content provided by the customer and the customer retains copyright over the content. Text books are produced to-order for various education authorities and institutions, with the content provided by the relevant education authority.

Publications

In addition to commercial printing, we have, since February 2001, been developing publishing capabilities. Since fiscal 2002, revenues from our publications business has grown at a compounded annual growth rate of approximately 76.6%. We develop and commission the content of our publications and own the copyright to such materials. Our publications include:

- Study aids for primary and secondary students;
- Childrens' books;
- Books on various topics, including research of Ayurveda and autobiographies.

We have our own in-house academic publishing team which works with external authors to develop content for our educational books.

Our Printing Processes, Capacity and Infrastructure

Our manufacturing is currently centred in our manufacturing facility in Pune, which is spread over an area of 2.5 hectares, including a built-up area of approximately 10,300 square metres. We have designed our operations at the Pune print works in a modular design to help ensure that materials travel the shortest possible route between the various steps in the process. The manufacturing facility is equipped with modern German, Japanese and Indian printing equipment and other equipment important to our operations, such as computers. We have also developed our facilities with concrete driveways and other entryways in order to help create a dust-free environment, which helps us to produce a higher quality product and to maintain a healthier working environment for our employees. We have also implemented technical improvements in order to help reduce wastage and, consequently, minimise our raw material consumption and expense.

As part of our plans to expand our operations, we plan to build a manufacturing facility in southern India. We are currently looking for an appropriate site of five to six acres, which we hope to have selected by January 2007, for the new facility and hope to complete the establishment of the proposed facility during fiscal 2008. When we establish the new print works, we will apply the same processes, procedures and equipment as we use at our Pune manufacturing facility to reproduce the efficiency- and quality-enhancing characteristics of our existing facility. We also plan to expand our operations at our Pune manufacturing facility.

Our manufacturing facilities at Pune converted 38,468 metric tons of processed paper into notebooks during fiscal 2006. Our average production of notebooks per day is approximately 131 metric tons. Our current manufacturing equipment for the manufacture and binding of standard notebooks has operated at approximately 74.3% capacity during fiscal 2006, while our other printing machinery, which prints the covers of our notebooks and is also used for our commercial printing and published materials, has operated at approximately 50.9% of capacity during the same period. The current capacity utilization level for printing and publication is constrained by our binding capacity. With the planned capacity expansion we intend to add further binding capacity which will allow us to increase the utilization levels for printing and publication. As a result, we believe we have additional capacity to expand our commercial printing and publication operations. Post the planned capacity expansion, our total capacity for notebooks and stationary could go upto 76,000 metric tons and for commercial printing and publications could go upto 25,000 metric tons. Details of our capacity levels (in metric tons) and capacity utilisation rates for each of our product categories is provided below:

	Year ended March 31,		
	2006	**2005**	**2004**
Notebooks and Stationery (in Metric Tons[1])			
Production Capacity	51,800	33,500	25,400
In-House Production	38,468	28,617	18,796
In-House Production as a % of Production Capacity	**74.3%**	**85.4%**	**74.0%**
Outsourced	13,054	20,190	4,300
Commercial Printing and Publications (aggregated) (in Metric Tons[1])			
Capacity	12,500	10,200	10,200
Production	6,365	4,826	5,071
% of Capacity	**50.9%**	**47.3%**	**49.7%**

(1) Metric tons calculated based on weight of paper, size of product, number of pages and other matters.

The Printing Process

The printing process follows the same basic flow, regardless of whether the product is stationery, commercially printed materials or published materials:

- Design and content generation;
- Order and supply allocation;
- Pre-press processing;
- Printing (including ruling for notebooks);
- Post-press processing (including binding and finishing).

Because the printing process follows the same basic flow and uses the same groups of equipment whether we are producing notebooks (other than the ruling of pages) or printing commercial printing or published materials, we are able to adapt our processes on a rapid basis to meet customer demand and adapt to the changing requirements of the market. In the last five years, we have experienced demand for an increasingly diverse range of products, including increased demand for our commercial printing and published materials and have been able to begin diversifying our production as a result of our adaptable printing processes. We strive to maintain high standards of quality control in all of our printing processes. To do so, we encourage the active involvement and participation in quality control of our employees at all levels through training and a consistent emphasis on quality control. We have also been mindful of quality control when we have invested in technology, seeking to improve quality through improved technology.

Design and Content Generation

In designing our notebooks and stationery products, we seek to develop a diverse range of quality styles focusing on various product presentations and constructions.

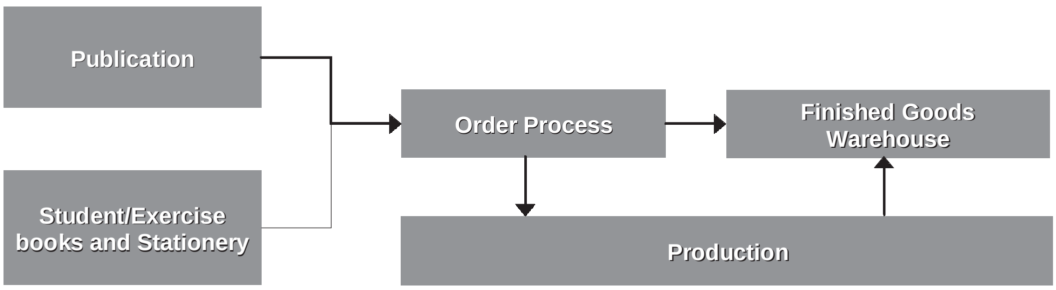
The content for our published materials is produced by external authors, in conjunction with our academic unit in the case of our study aid materials. We select material for publication based on customer demand and educational curricula.

For our commercial printing products, our customers provide both the style and formatting to their own design and specifications. We work with them to help ensure that their needs are understood and that we use the appropriate materials and printing processes to realise their style, content and technical requirements.

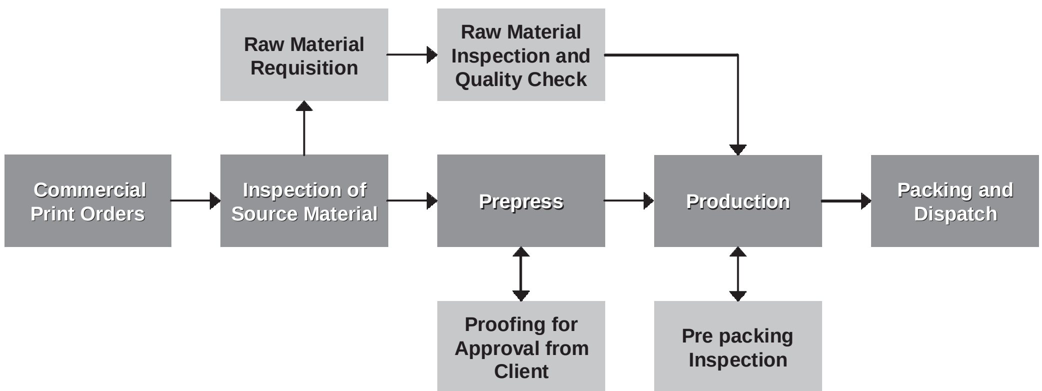
Order and Supply Allocation

Our stationery products and published materials may either be produced in advance of the order or in response to orders. Where we have not received an order prior to production, we determine the size of the run, allocate the appropriate supplies and manufacturing time and proceed with the manufacturing process. Other stationery products and all our commercial printing products are printed to order. In those cases, we accept the order, allocate the appropriate supplies and printing time and proceed with the printing process. The two diagrams below illustrate the processing of orders for stationery products and published materials and for commercial printing, respectively:

Notebook and Stationery and Publishing Manufacturing Process



The Commercial Printing Process



Pre-Press Processing

Pre-press processing includes formatting the content and creating the layout of printed materials. For our stationery items and published materials, we undertake all aspects of this process, from input of the content to the layout of the project in our in-house desktop publishing and designing unit. For our commercial printing operations, our customers generally use their own software to design the materials to be printed and supply us the source material either in electronic or hard format.

Our pre-press processing department is equipped with modern computer systems, equipped with a range of software, for design and processing of the printing formats. We currently transfer designs to the presses manually but have ordered an imported machine that will allow us to transfer designs to the presses for printing using a computer-to-plate system and an image-setter system. To ensure that we are able to make additional print runs of any materials we produce, we have developed an archiving system. Using this archiving system, we are able to readily recall any previous printing and to arrange an additional print run.

Printing

Our printing involves two kinds of processes. For our notebook production, we have ruling machines that print lines on the paper that goes into our notebooks. We also maintain one-, two- and four-colour printing machines, which are used for the printing of the covers of our notebooks and for our commercial printing and publication.

Ruling

Ruling is a key component of production of notebooks. We, therefore, seek to make our ruling operations as efficient as possible. We have invested in an exercise book production line which is a self-contained production line capable of manufacturing saddle-stitched notebooks in a single operation, from paper reel to a finished student/exercise book product, or creating collated sheets of paper for post-press processing, including binding. We use the exercise book production line to produce high volumes of basic, stitched notebooks with standardised covers.

In addition to the self-contained student/exercise book production line, we also have four additional ruling machines, a high speed ruling machine and a double-reel ruling machine. Each of these ruling machines can convert a reel of blank paper to sheets of ruled paper cut to the specified size, as per requirements.

Other Printing

For printing other than ruling, we have machines which allow one-, two- and four colour printing with sheet feed offsets. We also have several web offset presses in one-, two- and four-colour formats. One-colour printing is generally black and white printing and is used for the inner pages of books and notebooks. Two-colour printing allows us to print black and another colour. We use two-colour printing machines to print multi-colour stationery products and other products. Four-colour printing machines allow us to print a full spectrum of colour, including full colour photographs. Sheet feed offset printing machines print loose sheets of paper, while web offset presses print from a reel of paper, which is then cut to size.

Post-Press Processing

After printing, materials are folded, trimmed, bound or stitched and gathered for distribution to the warehouse. Our post-press processing equipment includes sewing machines and trimming and binding machines, which permit various types of binding, including hard-case booking binding, spiral binding and soft cover binding. We have machines that are fitted with automated counting and scanning equipment that helps reduce wastage and ensure that our products are correctly assembled, with the right number of pages in the correct order, before they are bound.

We believe our equipment produces notebooks with a higher quality binding, which we believe is a key determinant of perceived quality, than the offerings of our competitors, particularly those in the unorganised sector. We also manufacture manually bound notebooks, which are of lower quality than our machine-bound notebooks. Manually bound notebooks are sold at a lower price and designed to appeal to customers who are more price sensitive.

Warehousing and Distribution Infrastructure

Raw materials and finished products are stored in our warehouse, which is located in the same premises as our manufacturing facility. The warehouse has three forklifts, which are fitted with reel-handling clamps to permit handling of large reels of paper, and ten pallet movers. We store unused reels of paper vertically rather than horizontally, which is the usual industry practice, because we believe the vertical storage helps prevent damage to the paper and reduces wastage.

We have integrated our warehouse as part of the modular design of our print works in order to help create an efficient workflow during the pre- and post-production processes and to facilitate efficient movement of raw materials in to and finished products out of the warehouse. We package our finished products in cartons in our warehouse prior to shipping.

From our warehouse, we are able to distribute finished products by a variety of means. We use road transport to ship our products to their final domestic destinations. Our stationery and student/exercise book products are generally transported to our regional offices for further distribution to retailers or wholesalers. Our export products are generally shipped by sea, after being transported by road from Pune to the port at Navi Mumbai in Maharashtra.

We benefit from our location in Pune, which is located near several highways with direct connectivity to western, southern and northern India. Our transport fleet includes lorries and a fleet of vans for distribution from our regional offices, which we believe facilitates further penetration into locations where there is limited transport availability from outside sources. We hope to enhance our distribution logistics through developing the proposed manufacturing facility in southern India, which we believe will simplify our distribution logistics and be able to take advantage of shorter transport distances, which, in turn, will reduce our transportation costs and allow us to distribute our products economically to more locations.

Sales and Marketing

We believe that we have developed an efficient sales and marketing network, which is an important factor in our business operations. We seek to leverage our experience, reputation and brand recognition in our marketing efforts. We also strive to provide high quality products, an attractive price and timely delivery to our customers. We believe these will lead to greater customer loyalty, which will translate into retention of existing customers and acquisition of new customers through referrals and reputation building arising from consistent client satisfaction.

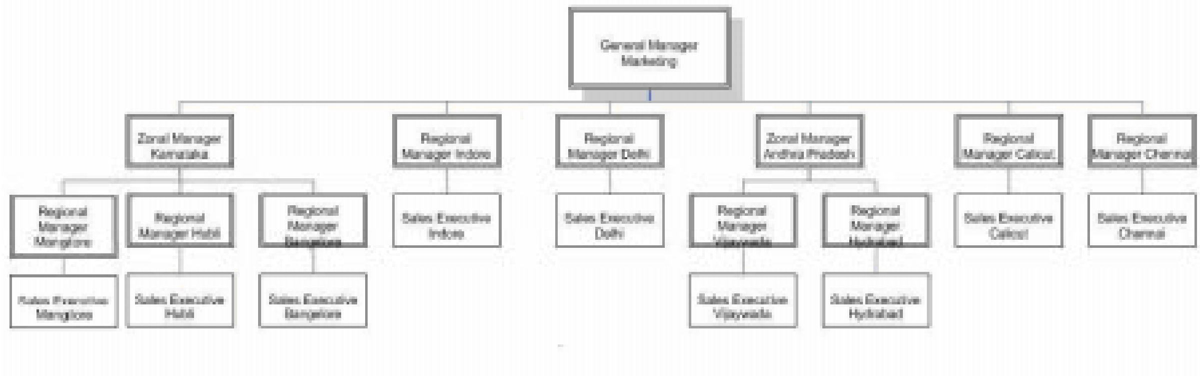
To help facilitate our sales and marketing efforts, we have established, as of April 1, 2006, 18 regional offices for sales and marketing and employ, as of April 1, 2006, a sales and marketing team of 116 individuals, including a separate team of 7 individuals in the business development group, who market our commercial printing services. To help penetrate in to additional geographic markets within India, we plan to have established approximately 100 additional regional sales and marketing offices by the end of fiscal 2011. Our regional sales and marketing offices represent not only a key component of our marketing and sales efforts, but are also the source for the distribution to our customers of our products, with inventory maintained in separate warehouses at the regional offices and distributed from that warehouse for all except large orders. Each regional sales office is staffed by sales executives and administrative and support staff and equipped with distribution vans for further distribution to customers in the area surrounding the regional office. As we expand geographically, we expect to expand our sales and marketing staff to develop our business in new geographic areas.

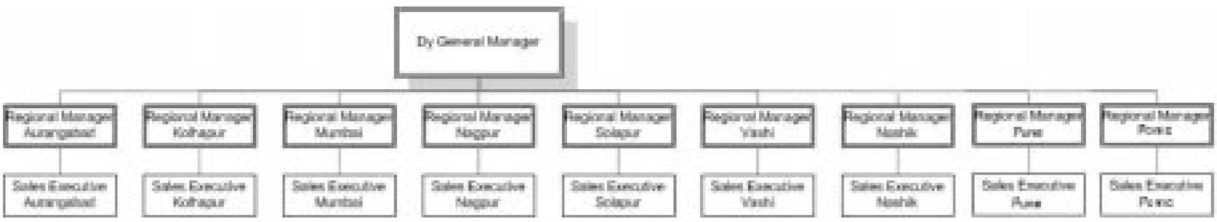
The locations of our current regional sales and marketing offices are the following:

Regional Offices in Maharashtra	Regional Offices outside Maharashtra
• Mumbai	• Chennai (Tamil Nadu)
• Vashi	• Calicut (Kerala)
• Pune	• Hyderabad (Andhra Pradesh)
• Pimpri Chinchwad	• Vijaywada (Andhra Pradesh)
• Nagpur	• Bangalore (Karnataka)
• Nasik	• Mangalore (Karnataka)
• Aurangabad	• Hubli (Karnataka)
• Solapur	• Delhi (National Capital Region)
• Kolhapur	• Indore (Madhya Pradesh)

The following map shows the regional distribution of our current regional offices throughout India:

Our sales and marketing staff are organised as set forth in the following two diagrams:





Our General Manager is based in Mumbai and supervises the zonal and regional offices outside Maharashtra. The Deputy General Manager is based in Pune and supervises all our Maharashtra regional office locations.

Sales Executives are the principal point of contact with customers and potential customers. Each regional office has a Regional Manager that supervises the sales operations in the regional offices area. Our regional offices outside the State of Maharashtra, Delhi and Madhya Pradesh are further organised into four zones—Kerala, Karnataka, Andhra Pradesh and Tamil Nadu—the sales of which are each supervised by a Zonal Manager from a zonal office. The Zonal Managers, as well as the regional offices in Madhya Pradesh and Delhi, report to the General Manager-Sales in respect of its sales activities, while regional offices in Maharashtra report to the Deputy General Manager-Sales. At the same time, a separate Business Development team of Sales Executives is involved in the marketing of our commercial printing business from our Mumbai location. Business Development sales executives report to the Assistant General Manager-Business Development and the General Manager-Business Development.

Marketing

We utilise our sales and marketing employees to target both existing customers and new potential customers. We have organised our marketing teams along the lines of our target markets and product segments. We believe that continuous interaction between our sales and marketing team and existing and potential customers both strengthens our relationships with these customers and allows us to better anticipate their current and future needs. We seek to identify high-value market segments and develop the appropriate products and services that we believe will be most important to our customers and where we believe we can best meet our customers' needs while maintaining an appropriate overall product mix.

We also seek to enhance the visibility of the "Blue Bird" brand through our products. We believe that increased brand awareness and a positive reputation associated with that brand will generate further demand for our products. We have also developed national advertising campaigns, including television advertisements on national channels, regional print media, banners and hoardings. We have also sponsored several events to help increase our brand awareness, including the 2005 National Table Tennis Championship, competitions and festivals, and school gatherings. We also sponsor school trips to view and tour our manufacturing facilities.

Our Customers

Our customers include approximately 600 wholesalers or dealers and approximately 9,000 retailers. These dealers and retailers purchase stationery products and published materials. Our commercial printing customers include various business concerns, including entertainment companies, financial institutions and publishers, as well as educational authorities.

This table indicates our largest customer, along with the proportion of sales represented by our top customer, top 5 customers and top 10 customers.

	Percentage of Sales by Customer for the Year Ended March 31,		
	2006	2005	2004
Top Customer	10.0%	8.5%	12.1%
Top Five Customers Total	14.3%	12.6%	18.2%
Top Ten Customers Total	16.1%	14.3%	21.0%

Sales

Sales accounts are simultaneously maintained at the regional office level and at our head office in Pune. The primary point of contact for sales are our sales executives, who pay regular calls on customers as part of our sales and marketing efforts and also serve as a principal point of distribution. Sales executives may finalise stationery and publishing orders up to Rs. 500,000, with orders up to Rs. 1 million and Rs. 2.5 million requiring finalization by a sales supervisor and regional sales manager, respectively. Sales in excess of Rs. 2.5 million are finalised at the director or senior management level.

Sales to wholesalers and dealers are made at an average discount of approximately 25% from the retail price, which is generally made in the case of larger orders or where wholesalers or distributors agree to favourable payment terms. Orders by wholesalers and dealers are filled either through our regional offices or directly from our central warehouse. For sales to retailers, our sales executives pay regular calls to retailers from our regional offices. They deliver products to the retailers from our fleet of delivery vans. These sales are made at a discount of approximately 5% to 15% from retail prices, depending on size of the order and relationship with the customer.

Payment terms for our sales of notebooks and publications average 90 days, with shorter payment terms for retailer customers. For sales to retailers, receivables are collected, principally in cash form, by the Sales Executives, approximately 15 to 18 days after the invoice is raised for the sale. We do not have an established procedure for collection of payment defaults, although we seek to monitor the status of the creditworthiness our customers and take certain security measures. In the past five years, we have generally been able to collect on our accounts receivable whenever we experienced a customer delaying payment beyond his credit period. Our commercial printing sales, which are priced according to the nature of the order, are finalised by our General Manager-Business Development in consultation with our Director-Technical. Payment terms vary by customer and order and can extend to 120 days or more and pricing may vary depending on the length of payment terms.

Exports

During fiscal 2005, we made our first exports. Since then, we have continued to build our export business in Ghana, Kenya and South Africa. Revenues from exports to these three countries accounted for 2.0% and 0.8% of sales during the years ended March 31, 2006 and 2005 respectively. We intend to continue to work to grow our presence in the sub-Saharan African market and to also initiate export to developed countries, including in Europe and North America.

Our principal exports to sub-Saharan Africa are textbooks commissioned by various educational authorities, as well as notebooks. Our sales and marketing efforts in sub-Saharan Africa are conducted from our registered office in Pune. In particular, during fiscal 2006, our Directors made several visits to sub-Saharan Africa, including to Ghana, Kenya and Tanzania and we have received visitors from the region at our facility in Pune who are interested in learning about our production process and technology. In addition, we also make sales within Ghana, Kenya and other countries in sub-Saharan Africa through references received from local contacts in the said country.

We ship products to sub-Saharan Africa on an "as-ordered" basis. Products for the sub-Saharan export market are principally shipped by sea and then transported over-ground to their ultimate destination.

We have received certain duty benefits in connection with the import of certain of our equipment under the Government of India's Export Promotion Capital Goods (EPCG) scheme. As a result, we are required to export goods amounting to Rs. 526.06 million by March 18, 2014.

Raw Materials and Suppliers

We depend on raw materials, including paper, inks, glue, soft and hard boards for notebooks and book covers and printing plates, as well as component parts for running our printing machinery. Our single largest raw materials expense is paper. The following table sets out our raw materials expenses, including the costs of paper, for the years ended March 31, 2006, 2005 and 2004.

	Raw Material Costs for the Twelve Months ended March 31,			
		2006	2005	2004
Raw Materials and Component Part Costs				
Cost of Paper	Rs. millions	1,870.11	1,322.18	992.01
	% of total sales	46.6%	40.0%	60.9%
Cost of Other Raw Materials	Rs. millions	652.28	408.48	247.55
	% of total sales	16.3%	12.3%	15.2%
Cost of Component Parts	Rs. millions	20.71	17.81	16.95
	% of total sales	0.5%	0.5%	1.0%
Cost of Outsourced Products	Rs. millions	818.27	1,212.02	279.48
	% of total sales	20.4%	36.6%	17.2%
Total Raw Materials and Component Part Costs	**Rs. millions**	**3,361.37**	**2,960.49**	**1,535.99**
	% of total sales	**83.8%**	**89.5%**	**94.3%**

We source our raw materials principally from domestic suppliers, including leading Indian paper mills. We purchase materials through letters of credit issued by our bank or by demand draft. Payment terms generally range from 15 to 90 days. Over our three decades of operations, we have established strong relationships with our raw materials suppliers, which we believe allows us to procure quality raw materials at preferential costs within our specified time frame. We are typically able to obtain delivery of items within 10 to 15 days of placing an order.

Our top 10 suppliers, by cost of raw materials purchased, account for more than 23.7% of our total raw materials purchased by price.

Set forth is a table indicating our largest supplier, along with the proportion of purchases represented by our top supplier, top five suppliers and top ten suppliers.

	Percentage of Purchases by Suppliers for the Year Ended March 31,		
	2006	2005	2004
Top Supplier	9.6%	8.7%	4.8%
Top Five Suppliers	19.0%	17.8%	16.4%
Top Ten Suppliers	23.7%	19.1%	20.0%

Intellectual Property

We have registered the "Blue Bird" brand. In addition, we have applied for trademark registration of the logo that appears on the front cover of the Red Herring Prospectus. We cannot assure you that this application will be successful or when the registration will be completed.

Certain of the materials we produce in connection with our commercial printing and publication businesses may contain third party intellectual property rights for which we may not have obtained the prior permission of the owner. As such, we may face claims and liabilities in respect of such use.

Insurance

We maintain insurance against various risks, including property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage to or destruction of our equipment or stocks. Although we consider our insurance coverage to be of a type and level that are economically prudent, we cannot assure you that we will be able to maintain insurance at rate which we consider commercially reasonable or that such coverage will be adequate to cover any claims that may arise.

The insurance policies in respect of certain of our equipment have been endorsed in favour of the lending banks that provided the financing to acquire such equipment and to which we have pledged that equipment. The insurance policies covering our stock have been endorsed in favour of the consortium of banks from which we have borrowed our working capital facility.

Our Employees

The following chart sets forth the number of persons that we employed at the end of each of the last three fiscal years.

	Employees as at March 31,		
	2006	2005	2004
Senior management	12	8	5
Production and manufacturing	108	109	86
Stationery manufacturing	81	85	69
Content development	2	2	1
Print job processing	25	22	16
Finance	28	22	12
Marketing	116	107	63
Human resources	6	5	4
Secretarial and legal matters	5	4	2
Total	**275**	**255**	**172**

Production and manufacturing consists of stationery, content development and print job processing.

We expect that we will require approximately 60 additional employees in connection with our planned expansion. The approximate break down of employees for the new plant is given below:

- Stationery Department - 45 people
- Accounts and Stores (Office Staff) -10 people
- Shift Supervisors - 5 people

Whilst we expect that certain senior employees from our current operations will oversee the operations at the proposed facility in southern India during its initial operations, we expect to recruit both skilled and unskilled employees to staff its operations. We do not expect the human resources or corporate departments to increase significantly in connection with the expansion of our operations, although we do expect some increase in both their numbers.

We provide our employees with training to help them to develop their skills and meet the changing requirements of our operations as our business grows and develops. Employee training includes initial training for new employees and on-going training for established employees.

In order to help foster a positive workplace environment for employees, we have instituted structured processes, including employee mentoring, grievance management, and corporate ethics programs. In particular, we believe that our mentoring program helps to facilitate a close association between our business and our employees' interests and aspirations.

We also strive to maintain high standards of health and safety in our operations. We maintain a safety assurance program to help reduce the risk of costly accidents. Certain parts of our machinery also have built-in safety features. We have also established guidelines to comply with applicable safety regulations and provide training and safety education through both new employee training and regular employee safety meetings.

To date, none of our employees have organised in unions, and we have no history of strikes or lock-outs.

Properties

Our Registered and Corporate Office is located at 759/74, Prabhat Road, Deccan Gymkhana, Pune - 411 004. We occupy these premises under a leave and license agreement with Nitin P. Sontakke, our Promoter Director, which we intend to purchase as per the "Objects of the Issue" on page 20 of this Red Herring Prospectus.

The land for our existing manufacturing unit is located at Gat No. 277, 287 and 278, Zalanwadi, Gorhe Khurd, Panshet Road, Pune, Maharashtra, India, admeasuring 1.37 hectares. This land was originally taken on a leave and licence basis from Nitin P. Sontakke, Promoter and Chairman and Managing Director of our Company who acquired the same on December 11, 2002, December 13, 2002 and January 9, 2003. The Company has subsequently purchased the entire land by an agreement dated April 20, 2006 from Nitin P. Sontakke at a cost of Rs. 3.51 million which was the original cost of acquisition of the land by Nitin P. Sontakke. The funding for this was from the Company's internal accruals. The Company has a clear title to the land. This land is not agricultural land. Please refer to the section titled "Government Approvals" on page 130 of this Red Herring Prospectus for details on approvals obtained by the Company with respect to this property.

Additionally, we have 18 regional offices, principally located in the State of Maharashtra and in western and southern India. In general, we have obtained the properties and facilities for these offices on a leave and license or lease basis. In the case of each regional office, the term of the leave and license agreement or lease is at least 11 months, with longer terms in place for certain offices.

REGULATIONS AND POLICIES

The following description is a summary of relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

Set forth below are certain significant legislations and regulations that generally govern this industry in India:

General

The Company is engaged in the business of printing and publishing. For the purpose of the business undertaken by the Company, we may be required to obtain licenses and approvals depending upon the prevailing laws and regulations as applicable. For details of such approvals please see "Government Approvals" on page 130 of this Red Herring Prospectus.

Foreign Ownership

Under the Industrial Policy and FEMA, 100% FDI is permitted in our industry.

Industrial Laws

A factory under the Factories Act, 1948 (Factories Act) is a place where more than ten persons have worked in the preceding year, and were engaged in any manufacturing process involving the use of power. The occupier of a factory is required to send a written notice containing certain details to the Chief Inspector at least fifteen days prior to use or occupation of the factory premises. Apart from this, the occupier also has certain general duties in respect of the factory premises. The Factories Act provides that worker safety is to be observed, as are general standards as to cleanliness and safety of the premises. In addition, the occupier also has to maintain certain general registers.

The Industries (Development and Regulation) Act, 1951 covers industries dealing in paper products and pulp, and mandates that such industries must, prior to being set up, acquire a license from the Central Government in this behalf.

Shops and Establishments Acts

The Company is governed by the various Shops and Establishments Acts as applicable in the states where it has offices/godowns. These acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. For details of the Company's registration under the applicable Shops and Establishments Acts, please refer to the chapter "Government Approvals" on page 130 of this Red Herring Prospectus.

- The Andhra Pradesh Shops and Commercial Establishments Act, 1988
- The Bombay Shops and Establishments Act, 1948
- The Karnataka Shops and Commercial Establishments Act, 1951
- The Madhya Pradesh Shops and Establishments Act, 1958
- The Kerala Shops and Establishments Act, 1962
- The Kerala Trade License Act, 1994

Pollution Laws

The Water (Prevention and Control of Pollution) Act, 1981 (Water Act) prohibits the use of any stream or well for disposal of polluting matter, in violation of standards set down by the State Pollution Control Board (SPCB).The Water Act also provides that the consent of the SPCB must be obtained prior to opening of any new outlets or discharges, which is likely to discharge sewage or effluent.

In addition, the Water (Prevention and Control of Pollution) Cess Act, 1977 (Water Cess Act) requires a person carrying on any industry to pay a cess in this regard. The person in charge is to affix meters of prescribed standards to measure and record the quantity of water consumed. Furthermore, a monthly return showing the amount of water consumed in the previous month must also be submitted.

We have obtained a 'green certificate' from the SPCB, in this instance being the Maharashtra Pollution Control Board.

Laws relating to Obscenity

The Indian Penal Code, 1860 (IPC) as well as the Young Persons (Harmful Publications) Act, 1956 impose criminal liability upon a person who engages in the publication or distribution of any matter classified as obscene. Obscene material can be understood as any material which is likely, in the given circumstances, to deprave and corrupt the minds of those who are open to such immoral influences and into whose hands a publication alleged to be obscene may fall. The criminal liability differs under the two legislations, with a more stringent penalty being imposed under the IPC.

HISTORY AND CORPORATE STRUCTURE

Our History

Our Company was originally incorporated as Anil Apporv Printers & Manufacturers Private Limited on July 23, 1999. We subsequently changed the name of our Company to Blue Bird (India) Private Limited and subsequently to Blue Bird (India) Limited pursuant to a resolution of the shareholders passed at an EGM on February 19, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on March 2, 2005 and subsequently again on March 4, 2005 by the Registrar of Companies, Maharashtra at Pune.

Prior to incorporating our Company, our Promoter Directors were engaged in similar lines of business. In 1975 Nitin P. Sontakke started a proprietary concern, Apporv Printing and Binding which was engaged in printing. In 1982 Vidya N. Sontakke started a proprietary concern, Anil Printers. In 1999, the Company was incorporated and the proprietary concerns of the two Promoter Directors were taken over by the Company.

Some of the key milestones of our Company include:

Year	Project
1999	Incorporation of the Company as a private limited company.
2003	Manufacturing set up shifted from Dhayari, Pune to the new factory situated at Gorhekhurd, Pune
2003	Installation of a fully automatic sewing machine imported from Germany.
2004	Upgradation of manufacturing facilities by way of installation of fully automatic exercise book manufacturing machines imported from Germany and hard case binding machine imported from Germany.
2005	Change in the name of the Company. Installation of fully automatic 20 clamp Perfect Binder and Box File Manufacturing Machinery from Germany
2005	Conversion into a public limited company.
2005	Entry into export market - execution of first export order to Kenya

Main Objects

Our main objects as contained in our Memorandum of Association are:

"To carry on the business of printers, lithographers, stereo types, photographic, printers, publishers and circulators of various books, magazines, daily, weekly, fortnightly, magazines, education books, fictions and other publications. To carry on the business of manufacturers and dealers of Student Books/Exercise Books and papers of all kinds, all printing material, binding material, chemicals, inks, machinery, spares, plates."

Our present business is as per the main objects of our Company.

Amendments to our Memorandum of Association

Date	Nature of Amendment
March 23, 2001	Change in Authorised Share Capital from Rs.10,000,000 to Rs.30,000,000
August 20, 2002	Change in Authorised Share Capital from Rs.30,000,000 to Rs.60,000,000
November 3, 2002	Clause (3) Sub-clause (d) added stating that "The Company would not accept deposits from persons other than members, Directors or their relatives."
January 22, 2003	Change in Authorised Share Capital from Rs.60,000,000 to Rs.100,000,000
October 18, 2003	Change in Authorised Share Capital from Rs.100,000,000 to Rs.150,000,000
February 19, 2005	Change in the Company name from Anil Apporv Printers & Manufacturers Private Limited to Blue Bird (India) Private Limited Sub-division of shares from the face value of Rs.100/- each to Rs.10/- each. Authorised Share Capital from Rs.150,000,000 to Rs.350,000,000 of Rs.10 each. Conversion of the Company from Private Limited to Public Limited Company.
May 27, 2006	Change in Authorised Share Capital from Rs.350,000,000 to Rs.450,000,000

Summary of Key Agreements

Share Purchase Agreement

India China Pre-IPO Equity (Mauritius) Limited (the "Pre-IPO Investor"), Blue Bird India Limited (the "Company"), Nitin P. Sontakke, Vidya N. Sontakke (together with Nitin P. Sontakke, the "Promoters"), Asha P. Sontakke and Apoorv N. Sontakke (together with Asha P. Sontakke, the " Promoter Group") have entered into a Share Purchase Agreement ("SPA") dated October 27, 2006.

Pursuant to the SPA, the Company has agreed to issue and allot to the Pre-IPO Investor 1,225,000 equity shares ("Pre-IPO Investor Equity Shares") at Rs. 98 per Equity Share, which includes a premium of Rs. 88 per Equity Share.

The SPA provides that the Promoters and the Promoter Group shall not enter into any direct or indirect, inter se arrangement, contract or understanding, whether oral or written, between or amongst the Promoters and the Promoter Group with respect to the Company that is in conflict with the SPA or which limits the rights of the Pre-IPO Investor under the SPA.

The SPA provides that the Pre-IPO Investor Equity Shares, when issued, allotted and delivered in accordance with the terms of the SPA, will be duly and validly issued and allotted as fully paid free and clear of all encumbrances. Further, the SPA provides that the Pre-IPO Investor Equity Shares shall be freely transferable and shall not be subject to any pre-emptive rights or rights of first refusal.

The SPA provides that in the event of any issue or sale of shares by the Company, prior to the Company's shares being listed on any stock exchange following a public offering, the Pre-IPO Investor shall have a right of participation calculated pro-rata to its holding of the Company's shares. Additionally, the SPA provides that if the Promoter and the Promoter Group propose to transfer shares, they shall first offer the shares to the Pre-IPO Investor at the same price and on the same terms and conditions as offered to the proposed transferee.

The SPA also provides that the Pre-IPO Investor Equity Shares shall rank pari passu in all respects with the issued Equity Shares and shall not be subject to a lock-in period, except as provided by any legal and/or regulatory restrictions as applicable under the Indian Laws.

Shareholders Agreement between India China Pre-IPO Equity (Mauritius) Limited, Blue Bird India Limited, Nitin P. Sontakke, Vidya N. Sontakke, Asha P. Sontakke and Apoorv N. Sontakke

India China Pre-IPO Equity (Mauritius) Limited (the "Pre-IPO Investor"), Blue Bird India Limited (the "Company"), Nitin P. Sontakke, Vidya N. Sontakke (together with Nitin P. Sontakke, the "Promoters"), Asha P. Sontakke and Apoorv N. Sontakke (together with Asha P. Sontakke, the "Promoter Group") have entered into a Shareholders Agreement (the "Shareholders Agreement") dated October 27, 2006.

The Shareholders Agreement provides that the Company shall not issue any shares in the future or attach any rights to any existing shares or shareholders which would have preference over those issued to the Pre-IPO Investor. Further, the Company shall not grant rights to any other person which are superior to the rights of the Pre-IPO Investor contained in the SPA or Shareholders Agreement.

In the event of liquidation or winding up of the Company, the Pre-IPO Investor shall receive a part of the Company's distributable assets as provided for in the Shareholders Agreement. Any shortfall in this amount shall be made good from the Promoters' and Promoter Group's shares in the Company's distributable assets. Any merger, acquisition, sale of voting control or sale of substantially all of the assets of the Company in which Company's shareholders do not hold at least 51% of the shares of the surviving corporation will be deemed to be a liquidation event for this purpose.

The Shareholders Agreement provides that it shall stand terminated in entirety upon the listing of any shares or securities of the Company on an approved stock exchange.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have no less than three and no more than twelve directors. We currently have twelve directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Name, Designation, Father's/Spouse's Name, Address, Occupation and Term	Nationality	Age	Other Directorships/Partnerships
Nitin P. Sontakke Chairman and Managing Director S/o Padmakar D. Sontakke Flat No. 7 Lane No. 10, Dharati Society, Prabhat Road, Pune 411 004 Business *Wholetime Director* *Term: 5 years with effect from April 1, 2005*	Indian	52	• N.S. Shares and Investments Private Limited • Vastu Housing Finance Corporation Limited • Udyam Vikas Sahakari Bank Limited • Chintamani Nagari Sahakari Patsanstha Maryadit
Harbhagwan S. Arora Joint Managing Director S/o Late Shankar Das Arora J/3/110, Rajouri Garden, New Delhi 110 027. Retired Bank Executive *Wholetime Director* *Term: 2 years with effect from April 1, 2005*	Indian	63	• Vastu Housing Finance Corporation Limited
Vidya N. Sontakke Director W/o Nitin P. Sontakke Flat No. 7 Lane No. 10, Dharati Society, Prabhat Road, Pune 411 004 Business *Wholetime Director* *Term: 5 years with effect from April 1, 2005*	Indian	45	• N.S. Shares and Investments Private Limited • Vastu Housing Finance Corporation Limited • Chintamani Nagari Sahakari Patsanstha Maryadit
Apoorv N. Sontakke Director S/o Nitin P. Sontakke Vijayshree Apartment, Lane No.15, Prabhat Road, Erandwana, Pune 411 004. Business *Wholetime Director* *Term: 5 years with effect from April 25, 2005*	Indian	24	• Vastu Housing Finance Corporation Limited • Ajinkya Hotelling Private Limited • Chintamani Nagari Sahakari Patsanstha Maryadit

Name, Designation, Father's/Spouse's Name, Address, Occupation and Term	Nationality	Age	Other Directorships/Partnerships
Satish D. Bhagwat Director S/o Late Dhundiraj B. Bhagwat B-1, Kamdhenu, Riddhi 54/11, Near Mahatma Society, Kothrud, Pune 411 038 Professional *Wholetime Director* *Term: 5 years with effect from April 1, 2005*	Indian	43	• Vastu Housing Finance Corporation Limited • Chintamani Nagari Sahakari Patsanstha Maryadit
David P. Kunder Director S/o Prabhakar D. Kunder Sr.No.38/1, Shree Nagar, Pimple Gurav, Pune 411 027. Professional *Wholetime Director* *Term: 5 years with effect from April 1, 2005*	Indian	33	• Vastu Housing Finance Corporation Limited • Ajinkya Hotelling Private Limited • Chintamani Nagari Sahakari Patsanstha Maryadit
Madhusudan S. Vaidya Independent Director S/o Late Shankar Vaidya 13, Vaibhav, 220/221 Cadell Road, Mumbai – 400 016. Professional *Liable to retire by Rotation*	Indian	71	NIL
Brigadier HSN Sastry (Retd.) Independent Director S/o K Subbaiah Sastry Flat No. 6, Building No.19, Sakal Nagar, Baner Road, Pune – 411 007 Retired Officer of the Indian Army *Liable to retire by Rotation*	Indian	66	NIL

Name, Designation, Father's/Spouse's Name, Address, Occupation and Term	Nationality	Age	Other Directorships/Partnerships
Brigadier HSN Sastry (Retd.) Independent Director S/o K Subbaiah Sastry Flat No. 6, Building No.19, Sakal Nagar, Baner Road, Pune – 411 007 Retired Officer of the Indian Army *Liable to retire by rotation*	Indian	66	NIL
Dr. Vikas G. Pai Independent Director S/o Late Govind R. Pai Abhinav Apartments, 778/B-4, Shivajinagar, Pune 411 005. Medical Practitioner *Liable to retire by rotation*	Indian	58	NIL
Anil C. Agashe Independent Director S/o Late Chintamani A. Agashe 484/102, Anant, Mitra Mandal Colony, Pune – 411 009 Business *Liable to retire by Rotation*	Indian	50	• Power Stroke Auto India Private Limited
Girish H. Inamdar Independent Director S/o Late Hemant V. Inamdar 'Santosh' 60/15, Bharati Niwas Colony, Lane No.14, Opposite Income Tax Office, Erandwane, Pune-411 004 Chartered Accountant *Liable to retire by rotation*	Indian	48	• Udyam Vikas Sahakari Bank Limited • Chintamani Nagari Sahakari Patsanstha Maryadit • Girish Hemant Inamdar & Co.
Dr. Vitthal M. Bachal Independent Director S/o Late Maruti H. Bachal Pandhari 39, Kshitij Sahwas, Karve Nagar, Pune-411 052 Retired Academician *Liable to retire by rotation*	Indian	73	Nil

Brief Biographies of our Directors

Nitin P. Sontakke, 52, has a diploma in Printing Technology and has worked in the graphics and stationery industry for over three decades. He is a Promoter Director of our Company and is currently the Chairman and Managing Director. His gross compensation for the fiscal year 2006 was Rs. 5.10 million.

Harbhagwan S. Arora, 63, is a post graduate in Political Science and Hindi. He has over three decades of experience in the fields of banking and finance. He retired from the Dena Bank as Assistant General Manager, Mumbai. He is currently the Joint Managing Director of the Company. His gross compensation for the fiscal year 2006 was Rs. 2.04 million.

Vidya N. Sontakke, 45, is a graduate in science and is a Promoter Director of the Company. She is a Wholetime Director of the Company and is in charge of administration. Her gross compensation for the fiscal year 2006 was Rs. 3.90 million

Apoorv N. Sontakke, 24, is a graduate in science and post graduate in economics. He looks after sales and marketing strategy and is also responsible for business development. He is Director – Sales and Marketing of the Company. His gross compensation for the fiscal year 2006 was Rs. 1.90 million.

Satish D. Bhagwat, 43, holds a diploma in printing technology. A printing technologist by profession with over two decades of experience in setting up manufacturing and designing of various textbooks with excellent knowledge in modernized and automated technical know how, he has been instrumental in our entry in the overseas market. He has worked earlier with the Maharashtra State Bureau of Textbook Production and Curriculum Research as an Executive. Currently he is the Director – Technical of our Company. His gross compensation for the fiscal year 2006 was Rs. 2.04 million.

David P. Kunder, 33, is a graduate in commerce. A financial analyst by profession, he has over a decade's experience in the field of accounts and finance. He is in charge of resource mobilization and is currently the Director - Finance of the Company. His gross compensation for the fiscal year 2006 was Rs. 2.04 million.

Madhusudan S. Vaidya, 71, is a graduate in science and previously worked with Glaxo Laboratories India Limited as a Marketing Controller and Glaxo Mexico Inc. as Director of Sales for almost 25 years. He was Managing Director of Concept Pharmaceuticals Limited and President of Walter Bushnell Pharmaceutical Limited and Director of Bharat Serums & Vaccines Private Limited. At present he is a consultant for various pharmaceutical companies. Presently he is an Independent Director of our Company.

Brigadier HSN Sastry (Retd.), 66, is a mechanical engineer and holds a Masters degree from the Pune University and has also obtained a degree in Advance Design Engineering from Marshal Malinovsky Academy of Moscow, Russia. He has served in the Indian Army in various capacities for more than 35 years. He has previously worked as an Erection Engineer at the Neyveli Thermal Lignite Project. He has taught at several places including the Pune University, the Institute of Armament Technology, Pune as well as the Design Armament Research and Development Establishment, Pune. Presently he is an Independent Director of our Company.

Dr. Vikas Govind Pai, 58, obtained his bachelors and masters degree in medicine from the University of Pune. He has worked in both India and the UK and has also published several papers in both Indian and UK journals. At present he is a consulting Physician in Internal Medicine and Gastroenterology and is attached with several hospitals in Pune. He is also a consulting Physician to several companies. Presently he is an Independent Director of our Company.

Anil C. Agashe, 50, has an MBA and has worked with Kirloskar Oil Engines Limited for over 15 years. He is a Promoter Director of Power Stroke Auto India Private Limited. Presently he is an Independent Director of our Company.

Girish H. Inamdar, 48, has been a practicing chartered accountant for 18 years. He is currently a director of the Udyam Vikas Sahakari Bank Limited and the Vice Chairman of Chintamani Nagari Sahakari Pathasanstha Maryadit. Presently he is an Independent Director of our Company.

Dr. Vitthal M. Bachal, 73, has a bachelor of arts degree in economics and political sciences and has a masters degree in economics and political sciences. He has obtained a doctorate in political sciences. He has been an academic for more than 40 years. He was the principal of Fergusson College, Pune and the Vice Chancellor of Tilak Maharashtra Vidyapeeth, Pune. He was the trustee of Alandi Devasthan, Pune. He is presently an Independent Director of the Company.

Borrowing Powers of Our Board

Our Articles, subject to the provisions of the Companies Act, authorise our Board, at its discretion, to generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. The shareholders, pursuant to section 293(1) (d) of Companies Act, passed a resolution at the Extraordinary General Meeting of the Company held on April 25, 2005 whereby they have approved and delegated powers to the Board for borrowing up to a sum of Rs. 2,000 million apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business, notwithstanding that it is over and above the aggregate of the paid up share capital and free reserves.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We are in compliance with the Corporate Governance Code in accordance to Clause 49 (as applicable) of the Listing Agreement to be entered into with the Stock Exchanges prior to the filing of the Red Herring Prospectus with the ROC and prior to the listing of our Equity Shares.

The Board has twelve Directors, of which the Chairman of the Board is an Executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, we have six Executive Directors and six Independent Directors on our Board.

Audit Committee

The Audit Committee was constituted by our Directors at their Board meeting held on April 1, 2005. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee presently consists of:

- Madhusudan S. Vaidya (Chairman);
- Brigadier HSN Sastry (Retd.);
- Anil C. Agashe; and
- David P. Kunder.

The Audit Committee has met on April 5, 2005, July 5, 2005, August 20, 2005, November 20, 2005 and March 31, 2006 within the last fiscal year.

The terms of reference of the Audit Committee are in accordance with the requirements under Clause 49 of the Listing Agreement.

Remuneration Committee

The Remuneration Committee was constituted by our Directors at their Board meeting held on May 20, 2006. The Committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee consists of :

- Brigadier HSN Sastry (Retd.) (Chairman);
- Madhusudan S. Vaidya; and
- Anil C. Agashe.

The remuneration committee has not met during fiscal 2006.

The terms of reference of the Remuneration Committee include the following:

- To determine the remuneration, review performance and decide on variable pay of executive directors;
- Establishment and administration of employee compensation and benefit plans.

Investor Grievance Committee

The Investor Grievance Committee was constituted by our Directors at their Board meeting held on May 20, 2006. This Committee is responsible for the redressal of shareholder grievance. The Investor Grievances Committee consists of:

- Brigadier HSN Sastry (Retd.) (Chairman);
- Madhusudan S. Vaidya;
- Anil C. Agashe; and
- David P. Kunder.

The Investor Grievance Committee has not met during fiscal 2006.

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest and non receipt of annual report, including the balance sheet.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

IPO Committee

The IPO Committee was constituted on May 20, 2006. The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue.

The members of the IPO Committee are:

- Nitin P. Sontakke; and
- David P. Kunder.

Shareholding of our Directors in the Company

Our Articles of Association do not require our Directors to hold any qualification Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as of the date of this Red Herring Prospectus.

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	No. of Equity Shares Post Issue	Post-Issue Percentage Shareholding
1.	Nitin P. Sontakke	8,000,000	30.5	8,000,000	22.9
2.	Vidya N. Sontakke	8,000,000	30.5	8,000,000	22.9
3.	Apoorv N. Sontakke	1,500,000	5.7	1,500,000	4.3
4.	David P. Kunder	1,800,000	6.9	1,800,000	5.1
5.	Satish D. Bhagwat	1,850,000	7.1	1,850,000	5.3
6	Harbhagwan S. Arora	1,050,000	4.0	1,050,000	3.0

Interests of Directors

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. Our Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. 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 in our Company, or that may be subscribed for and allotted to them. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as Directors, members, partners or trustees.

Our executive directors receive remuneration from us. For further details see the section titled "Our Management" on page 66 of this Red Herring Prospectus.

Additionally, our Registered and Corporate Office is taken on leave and license from our Promoter Director, Nitin P. Sontakke, for an annual rent of Rs. 480,000. Our factory is situated on land which was owned by our Promoter Director, Nitin P. Sontakke and which we have purchased from Nitin P. Sontakke for a consideration of Rs. 3.51 million. We also intend to use approximately Rs. 38.00 million from the proceeds of the Issue to purchase our Registered and Corporate Office buildings at Pune from Nitin P. Sontakke. For further details, please see section titled "Objects of the Issue" on page 20 of this Red Herring Prospectus. Further, our Director, Apoorv N. Sontakke, has given on leave and license basis, to the Company, office space in Mumbai for an annual rent of Rs. 300,000. Additionally, the Company has leased office space in Dhayri from its Directors, Nitin P. Sontakke and Vidya N. Sontakke, for one time deposits of Rs.1.06 million and Rs.0.66 million, respectively and a one time rent of Rs. 100.

Except as stated above and in the section titled "Related Party Transactions" on page 84 of this Red Herring Prospectus, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Except as disclosed in the section entitled "Objects of the Issue", our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. We currently do not have any directors' and officers' insurance policy.

Our Articles provide that where our Directors become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors against any loss in respect of such liability.

Remuneration of our Executive Directors

Nitin P. Sontakke , Chairman and Managing Director

Pursuant to a special resolution passed at the EGM held on March 31, 2005 Nitin P. Sontakke has been appointed the Managing Director for five years w.e.f. April 1, 2005. The significant terms of the resolution are:

Particulars	Remuneration
Salary	Rs. 425,000 per month
Perquisites	❖ Use of car and driver for the Company's business ❖ Telephone Facility at residence. ❖ Medical benefits for self and family including reimbursement of expenses actually incurred (the total cost of which shall not exceed one month’s salary for every year of service). ❖ Leave travel concession once a year any where within India ❖ Club fees for two clubs not including admission and life membership fees ❖ Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 1,000. ❖ Company shall reimburse entertainment and other business promotional expenses actually incurred by him during the course of business of the Company, including traveling, boarding and lodging expenses.
Sitting Fees	No sitting fees for attending the meeting of the Board of Directors or Committee thereof.

Harbhagwan S. Arora, Joint Managing Director

Pursuant to a special resolution passed at the EGM held on March 31, 2005 Harbhagwan S. Arora has been appointed Joint Managing Director for two years w.e.f. April 1, 2005. The significant terms of the resolution are:

Particulars	Remuneration
Salary	Rs. 170,000 per month
Perquisites	❖ Use of car and driver for the Company's business ❖ Telephone Facility at residence. ❖ Medical benefits for self and family including reimbursement of expenses actually incurred (the total cost of which shall not exceed one month’s salary for every year of service). ❖ Leave travel concession once a year any where within India ❖ Club fees for two clubs not including admission and life membership fees ❖ Personal accident insurance of an amount , the annual premium of which does not exceed Rs. 1,000. ❖ Company shall reimburse entertainment and other business promotional expenses actually incurred by him during the course of business of the company, including traveling, boarding and lodging expenses.
Sitting Fees	No sitting fees for attending the meeting of the Board of Directors or Committee thereof.

Vidya N. Sontakke, Wholetime Director

Pursuant to a special resolution passed at the EGM held on March 31, 2005. Vidya N. Sontakke has been appointed a Wholetime Director for five years w.e.f. April 1, 2005. The significant terms of the resolution are:

Particulars	Remuneration
Salary	Rs. 325,000 per month
Perquisites	❖ Use of car and driver for the Company's business ❖ Telephone Facility at residence. ❖ Medical benefits for self and family including reimbursement of expenses actually incurred (the total cost of which shall not exceed one month's salary for every year of service). ❖ Leave travel concession once a year any where within India ❖ Club fees for two clubs not including admission and life membership fees ❖ Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 1,000. ❖ Company shall reimburse entertainment and other business promotional expenses actually incurred by him during the course of business of the company, including traveling, boarding and lodging expenses.
Sitting Fees	No sitting fees for attending the meeting of the Board of Directors or Committee thereof.

David P. Kunder, Director (Finance)

Pursuant to a special resolution passed at the EGM held on March 31, 2005 David P. Kunder has been appointed Director, Finance for five years w.e.f. April 1, 2005. The significant terms of the resolution are:

Particulars	Remuneration
Salary	Rs. 170,000 per month
Perquisites	❖ Use of car and driver for the Company's business ❖ Telephone Facility at residence. ❖ Medical benefits for self and family including reimbursement of expenses actually incurred (the total cost of which shall not exceed one month's salary for every year of service). ❖ Leave travel concession once a year any where within India ❖ Club fees for two clubs not including admission and life membership fees ❖ Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 1,000. ❖ Company shall reimburse entertainment and other business promotional expenses actually incurred by him during the course of business of the company, including traveling, boarding and lodging expenses.
Sitting Fees	No sitting fees for attending the meeting of the Board of Directors or Committee thereof.

Apoorv N. Sontakke, Director (Sales and Marketing)

Pursuant to a special resolution passed at the EGM held on April 25, 2005 Apoorv N. Sontakke has been appointed as Director, Sales & Marketing for five years w.e.f. April 25, 2005. The terms of his remuneration have been revised vide a special resolution passed at the AGM held on September 30, 2005. The significant terms of the resolution are:

Particulars	Remuneration
Salary	Rs. 170,000 per month
Perquisites	❖ Use of car and driver for the Company's business ❖ Telephone Facility at residence. ❖ Medical benefits for self and family including reimbursement of expenses actually incurred (the total cost of which shall not exceed one month’s salary for every year of service). ❖ Leave travel concession once a year any where within India ❖ Club fees for two clubs not including admission and life membership fees ❖ Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 1,000. ❖ Company shall reimburse entertainment and other business promotional expenses actually incurred by him during the course of business of the Company, including traveling, boarding and lodging expenses.
Sitting Fees	No sitting fees for attending the meeting of the Board of Directors or Committee thereof.

Satish D. Bhagwat, Director (Technical)

Pursuant to a special resolution passed at the EGM held on March 31, 2005. Satish D. Bhagwat has been appointed Director, Technical for five years w.e.f. April 1, 2005. The significant terms of the resolution are:

Particulars	Remuneration
Salary	Rs. 170,000 per month
Perquisites	❖ Use of car and driver for the Company's business ❖ Telephone Facility at residence. ❖ Medical benefits for self and family including reimbursement of expenses actually incurred (the total cost of which shall not exceed one month’s salary for every year of service). ❖ Leave travel concession once a year any where within India ❖ Club fees for two clubs not including admission and life membership fees ❖ Personal accident insurance of an amount, the annual premium of which does not exceed Rs. 1000. ❖ Company shall reimburse entertainment and other business promotional expenses actually incurred by him during the course of business of the company, including traveling, boarding and lodging expenses.
Sitting Fees	No sitting fees for attending the meeting of the Board of Directors or Committee thereof.

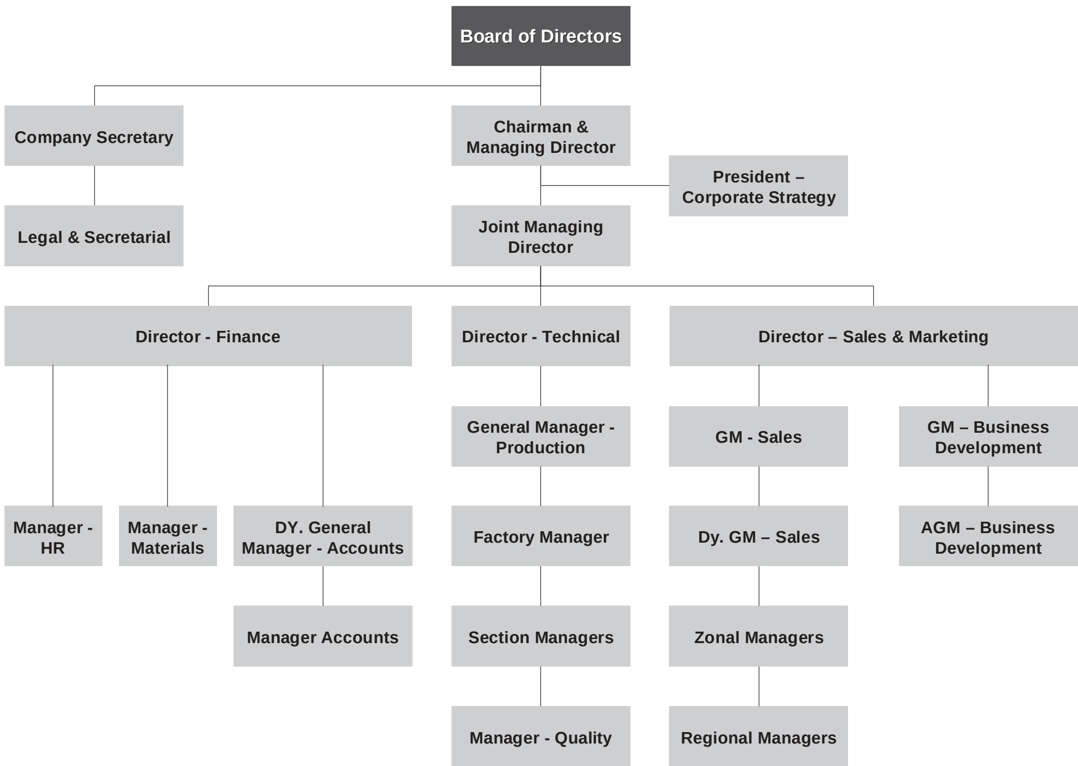
Additionally, the Executive Directors of the Company are covered under the group gratuity scheme of the Company.

Changes in Our Board of Directors during the last three years

The following are the changes in the Board of Directors during the last three years:

Name	Date of Appointment	Date of Cessation	Reason
Harbhagwan S. Arora	November 22, 2003	-	Appointment
David P. Kunder	December 16, 2004	-	Appointment
Madhusudhan S. Vaidya	April 1, 2005	-	Appointment
Brig. HSN Sastry (Retd)	April 1, 2005	-	Appointment
Anil C. Agashe	April 1, 2005	-	Appointment
Dr. Vikas G. Pai	April 1, 2005	-	Appointment
Apoorv N. Sontakke	April 25, 2005	-	Appointment
R.M. Karajkhede	-	April 1, 2006	Resignation
Girish H. Inamdar	May 31, 2006	-	Appointment
Dr. Vitthal M. Bachal	May 31, 2006	-	Appointment

Managerial Organizational Structure



Key Managerial Personnel

Other than Nitin P. Sontakke, Vidya N. Sontakke, Apoorv N. Sontakke, David P. Kunder, Satish D. Bhagwat, Harbhagwan S. Arora who are Executive Directors on the Board of the Company, our Key Managerial Personnel are as follows:

Kishor B. Kulkarni, 45, is a graduate and was previously with the Dena Bank. He has over two decades of experience in the banking industry and his areas of expertise include corporate and project finance. He joined the Company on July 1, 2006 as President- Corporate Strategy and currently draws an annual compensation of Rs. 2.04 million.

Manohar V. Gokhale, 73, holds degrees in arts (economics) and law and is a qualified Company Secretary from the Institute of the Company Secretaries of India. He has also obtained a Diploma in Secretarial Practice from the London Chamber of Commerce. He has previously worked with Swastik Rubber Products Limited for more than four decades. He is our Company Secretary and currently draws an annual compensation of Rs. 0.06 million.

R.M. Karajkhede, 68, holds degrees in commerce and law and has cleared his Inter C.A. He has worked with the Maharashtra State Bureau of Textbook Production and Curriculum Research and has over four decades of expertise in the fields of printing and publication. He has been instrumental in developing the dealer network of our Company. He is the Chief General Manager and currently draws an annual compensation of Rs. 0.43 million.

Santosh Dhankude, 32, has experience of over a decade in the industry and is experienced in dealing with new and sophisticated machines. He is responsible for maintaining the production and delivery schedules and staff training and reports to the Director-Technical. He is the General Manager-Production and currently draws an annual compensation of Rs. 0.40 million.

Aroon Kakkad, 40, has over 16 years experience in the field of printing, packing and paper converting. He has previously worked with Manugraph (India) Limited. He is the General Manager – Business Development and reports to Director - Sales and Marketing and currently draws an annual compensation of Rs. 0.61 million.

Narendra Keshkamat, 48, is in charge of our sales operations in the southern states of India. He has previously worked with Eagle Flask (India) Limited and Crompton Greaves Limited. He reports to Director – Sales and Marketing and draws an annual compensation of Rs. 0.39 million.

Suresh Mohol, 45, is the Deputy General Manager – Sales and is involved in sales, production and purchase functions. He reports to Director – Sales and Marketing and draws an annual compensation of Rs. 0.26 million.

Mandar Phadke, 30, is a post graduate and MBA and is the Deputy General Manager-Accounts. He reports to the Director - Finance and draws an annual compensation of Rs. 0.32 million.

Rajesh Desai, 37, is an Assistant General Manager - Business Development and responsible for the development of commercial printing. He has previously worked with Manugraph (India) Limited and has over 15 years of experience in the industry. He draws an annual compensation of Rs. 0.50 million.

Yasin Shaikh, 32, has over a decade's experience in maintenance of web machines. He is currently Manager – Maintenance and draws an annual compensation of Rs. 0.26 million.

Abdul Wahid Sheikh, 60, holds graduate degrees in commerce and law and has over 35 years of experience in the banking industry and in handling export finance, forex transactions and export import operations. He is currently the Manager-Import & Export Operations and draws an annual compensation of Rs.0.26 million.

All our Key Managerial Personnel are permanent employees of our Company.

Shareholding of the Key Managerial Personnel

Apart from the shareholding in the Company of our Directors, the following are the details of Equity Shares held by our Key Managerial Personnel as of June 20, 2006.

S. No.	Name	Position	Number of Equity Shares held
1.	Santosh Dhankude	General Manager-Production	1,900,000

Bonus or profit sharing plan of the Key Managerial Personnel

The Company has in the past paid bonuses to its employees. There is no profit sharing plan for our Key Managerial Personnel.

Interest of Key Managerial Personnel

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in the Company.

Changes in the Key Managerial Personnel

Name	Date of Appointment	Date of Cessation	Reason
Kishor B. Kulkarni	July 1, 2006	-	Appointment
R.M. Karajkhede	April 1, 2006	-	Appointment
Rajesh Desai	March 1, 2006	-	Appointment
Manohar V. Gokhale	September 1, 2005	-	Appointment
Aroon Kakkad	August 12, 2005	-	Appointment
Abdul Wahid Sheikh	June 13, 2005	-	Appointment

OUR PROMOTERS AND PROMOTER GROUP

Our Promoters

Currently, our Promoters are Nitin P. Sontakke and Vidya N. Sontakke.

Nitin P. Sontakke, 52 years, (passport number: Z1575944, permanent account number: ACGPS 5819K), is the Chairman and Managing Director of the Company. Nitin P. Sontakke does not hold a voter identity card or a driving license as of the date of this Red Herring Prospectus.

Vidya N. Sontakke, 45 years, (passport number: E 3284862, permanent account number: AJQPS 6208K), is a Wholetime Director of the Company. Vidya N. Sontakke does not hold a voter identity card or a driving license as of the date of this Red Herring Prospectus.

For details of the terms of appointment of Nitin P. Sontakke and Vidya N. Sontakke as our Directors, please see the section titled "Our Management" beginning on page 66 of this Red Herring Prospectus.

Interest in promotion of our Company

Following the incorporation of our Company, we took over two proprietary concerns, Apporv Printing and Binding and Anil Printers, which were managed by Nitin P. Sontakke and Vidya N. Sontakke respectively. Nitin P. Sontakke and Vidya N. Sontakke had subscribed to our Memorandum of Association and had subscribed to the initial issue of our equity shares of Rs. 100 each of the Company.

Payment of benefits to our Promoters during the last two years

Except as stated in the section titled "Related Party Transactions" beginning on page 84 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters, have been submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus with the Stock Exchanges.

Further, our Promoters have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Promoter Group Companies and Entities

In addition to our Promoters, as specified above, the following individuals (being the immediate relatives of our Promoters and some of whom hold Equity Shares) are part of our Promoter Group.

Individuals

Sr. No.	Name	Relationship with Promoter	Percentage of shareholding in the Company
1.	Padmakar D. Sontakke	Father of Nitin P. Sontakke	Nil
2.	Asha P. Sontakke	Mother of Nitin P. Sontakke	3.4
3.	Apoorv N. Sontakke	Son of Nitin P. Sontakke	5.7
4.	Ajinkya N. Sontakke	Son of Nitin P. Sontakke	Nil
5.	Preeti A. Sontakke	Daughter- in-law of Nitin P. Sontakke	Nil
6.	H. K. Hadap	Father of Vidya N. Sontakke	Nil
7.	Usha H. Hadap	Mother of Vidya N. Sontakke	Nil
8.	Prasad H. Hadap	Brother of Vidya N. Sontakke	Nil
9.	Raju H. Hadap	Brother of Vidya N. Sontakke	Nil
10.	Ujwala S. Mulye	Sister of Vidya N. Sontakke	Nil

The details of our Promoter Group companies and entities are as below:

1. N.S.Shares and Investments Private Limited

N.S.Shares and Investments Private Limited (N.S. Shares) was incorporated on March 18, 2002 and its Registered Office is located at 759/74, Prabhat Road, Deccan Gymkhana, Pune -411 004.

The main object of N.S. Shares is to deal in shares, securities, mutual funds, financial instruments and to provide services relating to sanction of loans for vehicles, home loans and loans against property. There were no major activities in the company till March 31, 2006.

N.S. Shares now plans to expand its activities in the coming years.

Financial Highlights

The financial results of N.S. Shares for the last three financial years are as follows:

(Rs. in million except per share data)

	Year Ending March 31, 2006	Year Ending March 31, 2005	Year Ending March 31, 2004
Total Income	1.65	0.45	Nil
Profit/(Loss) after tax	0.04	0.50	(0.01)
Equity share capital (paid up)	0.10	0.10	0.10
Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account	0.07	0.03	(0.02)
Earnings/(Loss) per share (diluted) (Rs.)	35.73	53.85	(7.50)
Book Value (Rs./share)	169.58	28.86	70.00
Net Asset Value/(Negative Net Worth)	0.17	0.13	0.07

Equity Shareholding Pattern

The equity shares of N. S. Shares are not listed on any stock exchange. The shareholding pattern of the company, as on October 31, 2006 is as given below:

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
Nitin P. Sontakke	300	30.0
Vidya N. Sontakke	190	19.0
Preeti A. Sontakke	510	51.0
	1,000	**100.0**

Board of Directors

The board of directors of N.S. Shares on October 31, 2006 consists of Nitin P. Sontakke, Vidya N. Sontakke and Preeti A. Sontakke.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

2. Ajinkya Hotelling Private Limited

Ajinkya Hotelling Private Limited was incorporated on May 5, 2004 and its Registered Office is located at F.P.No. 42B, CTS No.114B, Erandwane, Prabhat Road, Pune 411 004.

The company is engaged in the hospitality business.

Financial Performance

The financial results of Ajinkya Hotelling Private Limited for the last two financial years are as follows:

(Rs. in millions except per share data)

	Year Ending March 31, 2006	Year Ending March 31, 2005
Total Income	8.24	Nil
Profit/(Loss) after tax	0.02	Nil
Equity share capital (paid up)	30	30
Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account	(0.25)	(0.34)
Earnings/(Loss) per share (diluted) (Rs.)	0.06	Nil
Book Value (Rs./share)	99.16	98.88
Net Asset Value/(Negative Net Worth)	29.75	29.66

Equity Shareholding Pattern

The equity shares of Ajinkya Hotelling Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on October 31, 2006 is as given below:

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
Nitin P. Sontakke	470,000	15.7
Vidya N. Sontakke	420,000	14.0
Asha P. Sontakke	100,000	3.3
Apoorv N. Sontakke	305,000	10.2
David P. Kunder	250,000	8.3
Ajinkya N. Sontakke	210,000	7.0
Satish D. Bhagwat	180,000	6.0
Santosh Dhankude	125,000	4.2
Others	940,000	31.4
	3,000,000	**100.0**

Board of Directors

The board of directors of Ajinkya Hotelling Private Limited on October 31, 2006 consists of Ajinkya N. Sontakke, Apoorv N. Sontakke, Preeti Sontakke, David P. Kunder and Sunil Pandit.

This company is an unlisted company and it has not made any public or rights issue since incorporation. It has not become a sick company under the meaning of SICA and it is not under winding up.

3. Vastu Housing Finance Corporation Limited

Vastu Finance Limited was incorporated on February 4, 2005 and later changed its name to Vastu Housing Finance Corporation Limited on September 23, 2005. Its Registered Office is located at 759/74, Prabhat Road, Deccan Gymkhana, Pune 411 004.

Vastu Housing Finance Corporation Limited is a public limited company. The company has obtained a Certificate of Registration from the National Housing Bank under section 29 A of the National Housing Bank Act, 1987 as a housing finance institution without acceptance of deposit category in the private sector.

The company is mainly engaged in providing home loans. The company's business model involves handling of critical areas like sanctions, collection and monitoring by an in-house team of professionals which is supported by franchisees penetrating the market for loan sourcing and marketing.

Financial Performance

The financial results of Vastu Housing Finance Corporation Limited for the last two financial years are as follows:

(Rs. in millions except per share data)

	Year Ending March 31, 2006	Year Ending March 31, 2005
Total Income	3.56	0.07
Profit/(Loss) after tax	0.11	(0.28)
Equity share capital (paid up)	67.12	20
Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account	(0.51)	(0.72)
Earnings/(Loss) per share (diluted) (Rs.)	0.16	(1.39)
Book Value (Rs./share)	99.23	96.42
Net Asset Value/(Negative Net Worth)	66.60	19.28

Equity Shareholding Pattern

The equity shares of Vastu Housing Finance Corporation Limited are not listed on any stock exchange. The shareholding pattern of the company, as on October 31, 2006 is as given below:

Name of Shareholder	Number of Equity Shares	% of Issued Equity Share Capital
Nitin P. Sontakke	218,080	32.5
Vidya N. Sontakke	107,200	16.0
Asha P. Sontakke	11,700	1.7
Apoorv N. Sontakke	45,000	6.7
David P. Kunder	28,650	4.3
Harbhagwan Arora	20,250	3.0
Satish D. Bhagwat	35,800	5.3
Santosh Dhankude	11,650	1.7
Ajinkya N. Sontakke	23,500	3.5
Others	158,850	23.7
N. S. Shares and Investments Private Limited	10,500	1.6
	671,180	**100.0**

Board of Directors

The board of directors of Vastu Housing Finance Corporation Limited on October 31, 2006 consists of Ram Moonje, Nitin P. Sontakke, Vidya N. Sontakke, Apoorv N. Sontakke, David P. Kunder, Harbhagwan S. Arora, Satish D. Bhagwat and Ajinkya N. Sontakke.

This company is an unlisted company and it has not made any public or rights issue since its incorporation in February 2005. It has not become a sick company under the meaning of SICA and it is not under winding up.

None of the Promoters or persons in control of the companies that form part of our Promoter group have been restrained from accessing the capital markets by SEBI or any other governmental authority.

Companies with which the Promoters / Promoter Group have disassociated in the last three years.

The Promoters and the Promoter Group companies have not disassociated with any company in the last three years.

RELATED PARTY TRANSACTIONS

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

(*Rs. in millions*)

Particulars	September 30, 2006	September 30, 2005	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Remuneration to Key Management Personnel							
Nitin Sontakke	2.56	2.56	5.10	1.88	0.27	0.21	0.13
Mrs.Vidya Sontakke	1.96	1.96	3.90	3.50	0.27	0.21	0.13
Apoorv Sontakke	1.02	0.88	1.90	-	-	-	-
David Kunder	1.02	1.02	2.04	2.25	-	-	-
Harbhagwan Arora	1.02	1.02	2.04	2.35	-	-	-
Satish Bhagwat	1.02	1.02	2.04	2.35	0.11	0.11	0.06
R.M. Karajkhede*	Nil	0.22	0.40	0.34	0.20	0.15	0.08
Contribution to Group Gratuity Fund for Directors	1.26	1.26	2.48	-	-	-	-
Remuneration to Relatives of Directors							
Apoorv Sontakke (Prior to becoming Director)	-	0.03	0.03	2.49	0.16	0.16	0.08
Ajinkya Sontakke	-	0.05	0.05	1.75	0.09	0.06	-
Rent paid to Key Management Personnel							
Nitin Sontakke	0.24	0.25	0.48	0.12	-	-	-
Apoorv Sontakke	0.16	0.16	0.30	-	-	-	-
Rent paid to relatives of Directors							
Apoorv Sontakke	-	-	-	0.08	-	-	-
Deposit for Land on Lease (outstanding)							
Nitin Sontakke	1.06	1.06	1.06	1.06	1.06	1.06	1.06
Mrs.Vidya Nitin Sontakke	0.66	0.66	0.66	0.66	0.66	0.66	0.66
Interest paid on ICDs							
Vastu Housing Finance Corporation Limited	-	-	0.18	-	-	-	-
ICDs taken and repaid							
Vastu Housing Finance Corporation Limited	-	-	40.00	-	-	-	-
Purchase of Factory Land							
Nitin Sontakke	3.51	-	-	-	-	-	-

* *Retired as Executive Director w.e.f. April 01, 2006*

EXCHANGE RATES

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US dollar could be exchanged. The row titled 'average' in the table below is the average of the daily rate for each day in the period.

Fiscal Year	Period End	Period Average
2001	43.62	45.70
2002	48.80	47.69
2003	47.50	48.41
2004	43.39	45.92
2005	43.75	44.95
2006	44.61	44.28
Month	**Month End**	**Month Average**
April 2005	43.65	43.74
May 2005	43.69	43.49
June 2005	43.51	43.59
July 2005	43.49	43.54
August 2005	44.04	43.63
September 2005	43.99	43.92
October 2005	45.11	44.82
November 2005	45.94	45.73
December 2005	45.07	45.65
January 2006	44.07	44.40
February 2006	44.44	44.31
March 2006	44.61	44.48
April 2006	44.97	44.95
May 2006	46.43	45.41
June 2006	46.08	46.06
July 2006	46.51	46.46
August 2006	46.55	46.54
September 2006	45.96	46.12
October 2006	45.02	45.47

Source: www.rbi.org.in

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. The dividends declared by our Company during the last five fiscal years have been presented below:

	For the half year ended September 30, 2006	For the half year ended September 30, 2005	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2001
Face Value of Equity Share (Rs. per share)	10	10	10	10	100	100	100	100
Interim Dividend on Equity Shares (In Rs. million)	NIL	NIL	NIL	120	NIL	NIL	NIL	NIL
Final Dividend on Equity Shares (In Rs. million)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Dividend Rate (%)	NIL	NIL	NIL	80	NIL	NIL	NIL	NIL
Dividend Distribution Tax (In Rs. Million)	NIL	NIL	NIL	15.68	NIL	NIL	NIL	NIL

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

Auditor's report as required by Part II of Schedule II of the Companies Act, 1956

November 01, 2006
To,
The Board of Directors,
Blue Bird (India) Limited,
759/74, Prabhat Road,
Deccan Gymkhana,
Pune – 411 004.

Dear Sirs,

At your request, we M/s. Jayant V. Kolapkar & Co., Chartered Accountants ('JVK') and M/s Shashank Patki & Associates, Chartered Accountants ('SPA') joint auditors of Blue Bird (India) Limited ("Blue Bird" or "the Company") have examined the financial information annexed to this report which have been prepared in accordance with the requirements of:

a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') from time to time.
c. Request dated May 10, 2006 received from the Company to carry out work relating to the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus (collectively, 'the Offer Document') being issued by the Company in connection with its proposed Initial Public Offer (IPO).
d. and the Guidance Note on Reports in Company Offer Document and Guidance Note on Audit Reports / Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India ('ICAI').

   The Company proposes to make an IPO for a fresh issue of 8,775,000 equity shares having a face value of Rs.10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme (referred to as 'the Issue').

Financial information as per audited financial statements.

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at September 30, 2006 and 2005, March 31, 2002, 2003, 2004, 2005 and 2006 and the attached restated summary statement of profits and losses for the half years/years ended on those dates ('Summary Statements') (See Annexure I and II) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure IV to this report. The summary statements for the years ended March 31, 2002, 2003, 2004, and 2005 are based on the financial statements of those years, which have been audited solely by JVK. Further, the impact of retrospective adjustments on account of changes in accounting policies and estimates, extra ordinary items disclosure, prior period items and regroupings in the years March 31, 2002, 2003, 2004 and 2005 have been verified by JVK, which SPA, has relied upon for the purpose of this report. SPA has not carried out any audit tests or review procedures for those years since they did not perform the audit. The summary statements for the half years ended September 30, 2006, 2005 and for the year ended March 31, 2006 is based on the financial statements for the half year ended September 30, 2006, 2005 and for the year ended March 31, 2006, which have been jointly audited by JVK and SPA.

   Based on our examination of these summary statements, we confirm that:

   - The impact arising on account of changes in accounting policies and estimates adopted by the Company as at and for the half year ended September 30, 2006 have been adjusted with retrospective effect in the attached summary statements.

- The prior period items have been adjusted in the summary in the years to which they relate;
- There are no extraordinary items which need to be disclosed separately in the summary statements; and
- There are no qualifications in the auditor's reports, which require any adjustments to the summary statements.

However, the retrospective adjustments on accounting of changes in accounting policies, estimates, prior period items and regroupings in the years ended March 31, 2002, 2003, 2004 and 2005 have been verified solely by JVK. Accordingly, in respect of the years ended March 31, 2002, 2003, 2004, and 2005, since SPA has not performed any audit procedures, they do not report on the same.

Other Financial Information

2. At your request, we have also examined the following other financial information of the Company proposed to be included in the Offer Document as approved by you and annexed to this report.

Details of other financial information examined	Annexure
Statement of Cash Flows, As Restated	III
Notes on Adjustments and Significant Accounting Policies for Restated Financial Statements	IV
Details of Rates of Dividend	V
Details of Principal terms and conditions of Secured Loans Outstanding as at September 30, 2006 and assets charged as security	VI-A
Details of Principal terms and conditions of Unsecured Loans Outstanding as at September 30, 2006.	VI-B
Details of Sundry Debtors	VII
Details of Loans and Advances	VIII
Details of Current Liabilities and Provisions	IX
List of Related Parties and Relationships and Related Party Transactions	X
Capitalization Statement as at September 30, 2006	XI
Statement of Accounting Ratios (on Restated numbers)	XII
Statement of Tax Shelters	XIII

3. In respect of matters covered by 'Other Financial Information', contained in this report, SPA has relied upon the audited financial statements for the years ended March 31, 2002, 2003, 2004 and 2005, which were audited solely by JVK. Accordingly, in respect of matters covered by the 'Other Financial Information' for the years ended March 31, 2002, 2003, 2004, and 2005, since SPA has not performed any audit procedures, they do not report on the same.
4. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
5. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.
6. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed Initial Public Offer (IPO) of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For M/s. Jayant V. Kolapkar & Co.,
Chartered Accountants

For M/s, Shashank Patki & Associates
Chartered Accountants

Jayant V. Kolapkar
Proprietor
Membership No. – 44878

Shashank Patki
Partner
Membership No. – 35151

ANNEXURE I : SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in millions)

	September 30,		March 31,				
As at	**2006**	**2005**	**2006**	**2005**	**2004**	**2003**	**2002**
Fixed Assets							
Gross Block	424.51	390.73	417.85	337.67	79.23	31.74	19.20
Less : Cumulative Depreciation	70.12	34.11	51.30	17.97	7.13	3.94	2.56
Net Block	354.39	356.62	366.55	319.70	72.10	27.80	16.64
Add : Capital Work in progress	63.12	-	32.48	-	-	14.00	-
	417.51	**356.62**	**399.03**	**319.70**	**72.10**	**41.80**	**16.64**
Current Assets, Loans & Advances							
Inventories	1,179.87	920.83	1,007.47	878.42	384.56	216.38	108.84
Sundry Debtors	1,236.58	927.13	1,137.94	732.64	427.03	249.09	123.74
Cash and Bank balances	189.95	150.22	155.55	139.36	68.27	36.74	19.03
Loans and Advances	19.81	11.59	13.72	17.36	2.23	1.60	0.88
	2,626.21	**2,009.77**	**2,314.68**	**1,767.78**	**882.09**	**503.81**	**252.49**
Liabilities and Provisions							
Loan Funds							
Secured - Term Loans	170.00	194.67	193.99	218.95	31.15	14.53	1.21
- Working Capital	723.79	673.85	659.04	619.06	383.14	192.20	99.16
Unsecured Loans	181.28	-	194.30	-	-	-	10.00
	1,075.07	**868.52**	**1,047.33**	**838.01**	**414.29**	**206.73**	**110.37**
Deferred Tax Liability	32.07	29.71	32.00	27.71	5.15	2.24	0.80
Current Liabilities & Provisions							
Current Liabilities	964.85	755.38	886.31	703.23	278.54	177.36	85.64
Provisions	219.50	154.68	135.83	122.95	17.75	11.42	6.01
	1,184.35	**910.06**	**1,022.14**	**826.18**	**296.29**	**188.78**	**91.65**
Net Worth	**752.23**	**558.10**	**612.24**	**395.58**	**238.46**	**147.86**	**66.31**
Represented by :							
Share Capital	250.00	250.00	250.00	250.00	150.00	100.00	30.00
Share Application Money pending Allotment	-	34.50	-	34.50	-	12.50	25.00
Reserve and Surplus							
- General Reserve	17.30	17.30	17.30	17.30	-	-	-
- Profit and Loss Acccount	495.96	256.31	344.94	93.78	88.46	35.36	11.31
- Misc. Expenses (Not w/off)	(11.03)	(0.01)					
Net Worth	**752.23**	**558.10**	**612.24**	**395.58**	**238.46**	**147.86**	**66.31**

Note : The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure IV, to this Report.

ANNEXURE II : SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs.in millions)

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Income							
Sales – Domestic	2,348.44	1,969.77	3,930.36	3,282.39	1,628.44	890.17	521.81
- Exports	22.67	33.76	78.82	25.47	-	-	-
Other Income	4.42	3.92	7.81	9.13	2.29	1.02	0.74
Total Income	**2,375.53**	**2,007.45**	**4,016.99**	**3,316.99**	**1,630.73**	**891.19**	**522.55**
Expenditure							
Material Consumption	2,021.59	1,582.62	3,361.37	2,960.49	1,535.99	807.50	546.47
(Increase)/Decrease in Finished Goods	(78.72)	74.13	(52.09)	(148.18)	(104.90)	(30.90)	(70.31)
Other Manufacturing Expenses	28.61	22.24	42.11	47.13	29.48	21.88	15.67
Employee Cost	23.94	22.64	45.60	22.11	10.00	7.50	1.89
Administration, Selling & Distribution Expenses	65.10	44.24	90.54	86.53	25.34	15.57	6.92
Interest & Finance Charges	61.42	48.62	103.62	62.79	39.70	24.30	11.85
Depreciation	18.82	16.14	33.33	10.84	3.19	1.38	0.71
Total Expenditure	**2,140.76**	**1,810.63**	**3,624.48**	**3,041.71**	**1,538.80**	**847.23**	**513.20**
Profit before Tax	**234.77**	**196.82**	**392.51**	**275.28**	**91.93**	**43.96**	**9.35**
Provision for Taxation							
- Current Tax	82.88	68.00	135.83	71.00	30.50	13.05	2.48
- Deferred Tax	0.07	2.00	4.29	27.71	-	-	-
- Fringe Benefit Tax	0.80	0.60	1.29	-	-	-	-
Total provision for Taxation	**83.75**	**70.60**	**141.41**	**98.71**	**30.50**	**13.05**	**2.48**
Net profit after Tax (Before adjustments but after regroupings as per Audited Accounts)	**151.02**	**126.22**	**251.10**	**176.57**	**61.43**	**30.91**	**6.87**
Adjustments							
Less : Misc. Expenses	-	-	0.06	0.01	0.01	0.02	(0.05)
(Short)/Excess provision of Tax for earlier years restated							
- Current Tax	-	-	-	(21.85)	(5.43)	(5.44)	(1.04)
- Deferred Tax	-	-	-	5.15	(2.91)	(1.44)	(0.79)
Total Adjustments for restatement	**-**	**-**	**0.06**	**(16.69)**	**(8.33)**	**(6.86)**	**(1.88)**
Tax impact on adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total of adjustments after tax impact	**-**	**-**	**0.06**	**(16.69)**	**(8.33)**	**(6.86)**	**(1.88)**
Net profit after Tax, as restated	**151.02**	**126.22**	**251.16**	**159.88**	**53.10**	**24.05**	**4.99**

Note: The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure IV, to this Report.

ANNEXURE III – STATEMENT OF CASH FLOWS, AS RESTATED

(Rs.in millions)

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
A. Cash Flow from Operating Activities :							
Net profit before Tax	234.77	196.82	392.51	275.28	91.93	43.96	9.35
Adjusted for :							
Depreciation (Charged to P&L)	18.82	16.14	33.33	10.84	3.19	1.38	0.71
Misc. Expenses W.off	-	0.02	-	-	0.01	0.01	0.01
Finance Charges	57.19	45.11	96.59	53.66	37.41	23.28	11.11
Operating Profit before working capital changes	310.78	258.09	522.43	339.78	132.54	68.63	21.18
Adjustments for							
(Increase)/Decrease in Inventories	(172.40)	(42.41)	(129.05)	(493.86)	(168.18)	(107.54)	(58.52)
(Increase)/Decrease in Trade Receivables	(98.64)	(194.49)	(405.30)	(305.61)	(177.94)	(125.35)	(52.21)
(Increase)/Decrease in Loans & Advances	(6.09)	5.77	3.64	(15.13)	(0.63)	(0.72)	(0.18)
(Increase)/Decrease in Other Current Assets	-	-	-	-	-	-	-
Increase/(Decrease) in Trade Payables	78.54	52.15	183.08	424.69	101.18	91.72	47.23
Cash Generated from Operations	112.19	79.11	174.80	(50.13)	(113.03)	(73.26)	(42.50)
Direct Taxes paid	(0.01)	(0.59)	(124.18)	(4.90)	(29.60)	(13.07)	(3.79)
Cash Generated from Operating Activities	112.18	78.52	50.62	(55.03)	(142.63)	(86.33)	(46.29)
B. Cash Flow from Investing Activities :							
Purchases of Fixed Assets	(37.30)	(53.06)	(112.66)	(258.44)	(33.49)	(26.54)	(5.56)
Cash used in Investing Activities	(37.30)	(53.06)	(112.66)	(258.44)	(33.49)	(26.54)	(5.56)
C. Cash Flow from Financing Activities							
Share Application Money Received	-	-	(34.50)	34.50	(12.50)	(12.50)	25.00
Proceeds from issue of Share Capital	-	-	-	100.00	50.00	70.00	-

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Proceeds from/(Repayment of) Long Term Borrowings	(23.99)	(24.28)	(24.96)	187.80	16.62	13.32	0.92
Proceeds from/(Repayment of) Short Term Borrowings	51.73	54.79	234.28	235.92	190.94	83.04	49.38
Finance Charges	(57.19)	(45.11)	(96.59)	(53.66)	(37.41)	(23.28)	(11.11)
Dividend Paid	-	-	-	(120.00)	-	-	-
IPO Expenses	(11.03)	-					
Cash generated in Financing Activities	(40.48)	(14.60)	78.23	384.56	207.65	130.58	64.19
Net (Decrease)/Increase in Cash and Cash							
Equivalents (A+B+C)	34.40	10.86	16.19	71.09	31.53	17.71	12.34
Opening Balance of Cash & Cash Equivalents	155.55	139.36	139.36	68.27	36.74	19.03	6.69
Closing Balance of Cash & Cash Equivalents	189.95	150.22	155.55	139.36	68.27	36.74	19.03

Notes : 1. Figures in brackets represents outflows.

2. Cash and Cash equivalents comprises of Cash and Bank Balances as per restated Balance Sheet as follows

(Rs.in millions)

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Cash in hand	9.32	7.55	9.29	2.66	9.10	4.17	0.40
Balance with Scheduled Banks							
- In Current Accounts	11.73	5.61	8.12	1.54	0.44	0.34	0.22
- In Fixed Deposits	168.90	137.06	138.14	135.16	58.73	32.23	18.41
Total Cash and Bank balances	189.95	150.22	155.55	139.36	68.27	36.74	19.03

ANNEXURE IV – NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES FOR RESTATED FINANCIAL STATEMENTS

CHANGE IN ACCOUNTING POLICIES

The Accounting Standard relating to AS-22, "Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India become applicable to the Company only from the Financial year ended March 31, 2003. However for the purpose of financial statement prepared for the purpose of this Offer Document, deferred tax assets and liabilities have been determined for the years ending March 31, 2002 also.

OTHER ADJUSTMENTS

Prior Period Items: In the audited profit and loss account of certain years, we had classified certain items of income or expense as prior items. For the purpose of this statement, these income or expenses have been appropriately adjusted in the respective years.

The profit and loss accounts of certain years include short provision of income tax for earlier years. The impact on account of such short provision for income tax has been adjusted in the respective years.

TAX IMPACT OF ADJUSTMENTS

Tax impact of adjustments pertains to the tax effect on restatement adjustments at the tax rates applicable in the respective years.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) Significant Accounting Policies

1. Basis of Accounting

The financial statement have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institutes of Chartered Accountants of India and the relevant provisions of Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company.

2. Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the assets to its working condition for its intended use. Financing costs related to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

3. Depreciation

Depreciation is provided on all fixed assets, under Straight Line Method at rates prescribed in Scheduled XIV to the Companies Act, 1956. Depreciation on additions/deletions during the year is provided on pro-rata basis.

4. Inventories

Raw Material, components, stores and spares are valued at lower of cost or net realizable value. Cost is determined on First In First Out (FIFO) basis.

Finished goods are valued at lower of cost or net realizable value. Cost includes direct materials and labour and proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business.

5. Revenue Recognition

Sale of Goods - Revenue from sales of goods is accounted for on the basis of dispatch of goods, excluding duties and taxes.

Interest - Revenue from interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

6. **Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.

Monetary assets and liabilities are denominated in foreign currencies at the year end. Non-monetary foreign currency assets are carried at cost.

Any gain or losses on account of exchange differences either on settlement or on transaction are recognized in the profit and loss account except in case where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

7. **Retirement benefits and other employee benefits**

Retirement benefits in the form of Provident Fund and Gratuity are charged to Profit & Loss account of the year when the contribution to the respective fund is due.

8. **Taxation**

Tax expense comprises both current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

9. **Impairment Loss**

As per Accounting Standard AS-28 'Impairment of Assets' effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.

10. **Borrowing Cost**

Borrowing Cost attributable to the acquisition and construction of the qualifying assets are capitalized as part of the cost of respective assets up to the date when such asset is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are charged to Profit and Loss account.

11. **Earning Per Share**

Basic Earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The Company has not issued any potential equity shares and accordingly, the basic earning per share and diluted earning per share are the same.

12. **Provisions, Contingent Liabilities and Contingent Assets**

A Provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities if material are disclosed by way of notes to Accounts. Contingent Assets are not recognized.

B) NOTES TO ACCOUNTS

1. Contingent Liability not provided for : Rs. Millions

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Bank Guarantees	18.63	21.26	16.30	21.55	15.19	0.10	0.10
Custom Guarantee Bonds	152.40	152.40	152.40	152.40	8.71	0.00	0.00

2. The Accounting Standard relating to AS-22, "Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India become applicable to the Company only from the Financial year ended March 31, 2003. However for the purpose of financial statement prepared for the purpose of this Offer Document, deferred tax assets and liabilities have been determined for the years ending March 31, 2002 also.
Deferred tax Liabilities consist of the following:

Rs. Millions

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
1. Deferred tax Liabilities on account of timing difference of depreciation	32.07	29.71	32.00	27.71	5.15	2.24	0.80
Deferred Tax Liabilities / Assets)(Net)	32.07	29.71	32.00	27.71	5.15	2.24	0.80
Charge for the year	0.07	2.00	4.29	22.56	2.91	1.44	0.78

3. Contracts remaining to be executed on capital account and not provided for : Rs.10.02 Million as of September 30, 2006, Nil as of September 30, 2005, Rs.7.28 Million as of March 31, 2006 & Nil for earlier years.
4. The company has not given or taken any asset on financial lease subsequent to Financial year ended March 31, 2002. The Company has taken commercial premises under cancellable operating leases. The lease agreements are usually renewable by mutual consent on mutually agreeable terms. The expenses in respect of operating leases have been accounted as Administration Expenses.
5. In the opinion of the management, all the Current Assets, Loans and Advances have value in realization in the ordinary course of the business at least equal to the amount at which they are stated.
6. Details of Sundry Debtors (Unsecured, considered good) :

Rs. Millions

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Debtors outstanding for more than 6 months	3.15	1.44	3.62	1.72	8.64	4.38	3.78
Other Debtors	1,233.43	925.72	1,134.32	730.92	418.39	244.71	119.96
Total	**1,236.58**	**927.16**	**1,137.94**	**732.64**	**427.03**	**249.09**	**123.74**

7. Segment Reporting
Primary Segment: The Company operates mainly in two business segments namely Notebooks and Publication/Commercial Printing. The Segment Revenue in the primary business segment considered for disclosure is as follows:

Rs. Millions

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Note Books	1,946.24	1,727.16	3,530.06	2,960.61	1,309.55	714.81	428.51
Publication/ Printing	424.87	276.37	479.12	347.25	318.89	175.36	93.30
Total	**2,371.11**	**2,003.53**	**4,009.18**	**3,307.86**	**1,628.44**	**890.17**	**521.81**

Secondary Segment: The Segment Revenue in the geographical segment considered for disclosure is as follows:

Rs. Millions

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
- Revenue outside India: (Exports)	22.67	33.76	78.82	25.47	-	-	
- Revenue within India: (Domestic)	2,348.44	1,969.77	3,930.36	3,282.39	1,628.44	890.17	521.81
Total	**2,371.11**	**2,003.53**	**4,009.18**	**3,307.86**	**1,628.44**	**890.17**	**521.81**

Fixed assets used in the Company's business or liabilities contracted cannot be identified to any business and geographical segment as the fixed assets are used interchangeably between business and geographical segments and a meaningful segregation is not possible.

8. There are no SSI Creditors having outstanding amounts exceeding Rs. 0.10 Million for more than 30 days. The status of creditors as to SSI is ascertained on the basis of the information received from the Creditors.

9. The Company has effected on October 30, 2006, a pre-IPO allotment of 1,225,000 equity shares of a face value of Rs.10/- each at a premium of Rs.88/- per share.

ANNEXURE V - DETAILS OF RATES OF DIVIDEND

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Face Value of Equity Share (Rs. per share)	10.00	10.00	10.00	10.00 #	100.00	100.00	100.00
Interim Dividend on Equity Shares (In Rs. Million)	NIL	NIL	NIL	120.00	NIL	NIL	NIL
Final Dividend on Equity Shares (In Rs. Million)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Dividend Rate (%)	NIL	NIL	NIL	80	NIL	NIL	NIL
Dividend Distribution Tax (In Rs. Million)	NIL	NIL	NIL	15.68	NIL	NIL	NIL

The Company has split 1,500,000 equity shares of face value of Rs.100/- each to 15,000,000 equity shares of face value of Rs.10/- each at Extra Ordinary General Meeting held on February 19, 2005.

ANNEXURE VI-A

Details of Principal terms and conditions of Secured Loans Outstanding as at June 30, 2006 and assets charged as security –

(Rs.in Millions)

S.No.	Name of the Lender	Facility	As on March 31				As on Sept. 30,		Repayment Schedule	Security Created
			2003	2004	2005	2006	2006	Interest Rate		
1	Indian Bank	Cash Credit	-	-	7.63	0.42	-31.51	10.90%	These said loans are working Capital facilities given to the Company on an on going basis to be renewed yearly.	Secured by way of hypothecation of stock of raw material, work in Progress, finished Products & book debts on a Pari Pasu basis and second charge on all the fixed assets of the Company.
		Working Capital Demand Loan	-	-	43.92	72.67	104.98	10.90%		
2	The Federal Bank Ltd	Cash Credit	27.78	45.96	29.48	30.19	62.11	10.00%		
		Foreign Currency Demand Loan	-	-	36.48	40.10	40.39	7.88%		
3	Development Credit Bank Ltd	Cash Credit	26.89	8.11	8.00	10.39	10.63	11.00%		
		Working Capital Demand Loan	-	1.18	31.75	32.12	24.78	11.00%		
		Foreign Currency Demand Loan	-	31.75	0.16	11.55	10.39	6.39%		
4	Andhra Bank	Cash Credit	54.04	11.04	10.27	5.38	10.11	11.00%		
		Working Capital Demand Loan	-	43.88	45.71	42.47	41.68	11.00%		
5	UCO Bank	Cash Credit	-	40.51	109.11	16.22	114.32	11.00%		
		Foreign Currency Demand Loan	-	-	-	86.40	-	8.93%		
6	United Bank of India	Cash Credit	-	37.30	57.58	64.53	73.65	11.00%		
7	Canara Bank	Cash Credit	-	27.25	59.59	83.17	91.10	11.00%		
8	Oriental Bank of Commerce	Cash Credit	-	-	57.99	61.19	70.06	11.00%		
9	State Bank of Travancore	Foreign Currency Demand Loan	-	-	-	73.21	73.00	11.00%		
10	The Lakshmi Vilas Bank Ltd	Cash Credit	-	-	-	29.03	28.10	11.00%		
11	Dena Bank	Cash Credit	68.84	77.82	101.49	-	-	11.00%		
12	Lord Krishna Bank	Cash Credit	14.64	30.89	-	-	-	11.00%		

Loan Documentation charges created by way of loan supplementary deed of hypothecation by working capital consortium agreement dated 24.03.2006 executed by Indian bank being a lead bank of consortium.

S.No.	Name of the Lender	Facility	As on March 31				As on Sept. 30,		Repayment Schedule	Security Created
			2003	2004	2005	2006	2006	Interest Rate		
13	Indian Bank	Term Loan	-	-	88.55	83.60	77.54	10.90%	Repayment in Quarterly equal instalment	Hypothecation of machinery
14	The Federal Bank Ltd	Term Loan	-	3.77	3.30	2.33	1.89	11.00%	Repayment in Monthly equal instalment	
15	uco Bank	Term Loan	-	-	23.69	29.22	26.16	11.00%	Repayment in Quarterly instalment	
16	Canara Bank	Term Loan	-	-	31.59	25.24	21.81	11.00%	Repayment in Quarterly equal instalment	
17	The Lakshmi Vilas Bank Ltd	Term Loan	-	-	-	10.83	8.22	11.00%	Repayment in Quarterly equal instalment	

DEVELOPMENT CREDIT BANK TERM LOAN CONVERTED IN FOREIGN CURRENCY LOAN

S.No.	Name of the Lender	Facility	As on March 31				As on Sept. 30,		Repayment Schedule	Security Created
			2003	2004	2005	2006	2006	Interest Rate		
18	Development Credit Bank Ltd	Term Loan	-	-	50.08	41.15	34.38	11.00%	Repayment in Quarterly equal instalment	Exclusive charge on specific machines purchased from term loan

VEHICLE LOANS – All vehicles loans are fully repaid during the six months ended September 30, 2006 and no dues are outstanding towards the vehicle loans as on September 30, 2006.

Note : Term Loans are secured by way of hypothecation of Plant & Machinery and mortgage of Land & Building. Working Capital Borrowings are secured by way of hypothecation of Inventories and book debts and second charge on fixed assets. Both these facilities are personally guaranteed by two directors and their relative. Vehicle Loans are secured by way of hypothecation of the respective vehicle.

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of the loans. These are summarised below:

(1) It is provided that the Company cannot alter its capital structure or withdraw or be allowed to withdraw moneys brought in by the promoters or relatives and friends of the promoters or directors of the Company without the consent of the lender.

(2) It is provided that the Company cannot issue any debentures, raise any loans, accept deposits from public or issue equity or preference capital or change its capital structure without the consent of the lender.

(3) It is provided under some loan agreements that the Company cannot effect any change in its capital structure or make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern without the approval of the lenders except in ordinary course of business.

(4) Additionally, in respect of a number of the loans, the Directors of the Company have provided personal guarantees.

ANNEXURE VI-B

Details of Principal terms and conditions of Unsecured Loans Outstanding as at September 30, 2006

UNSECURED LOANS

(Rs.in Millions)

S.No.	Name of the Lender	Facility	Sanctioned Amount	Balance
1	Standard Chartered Bank	Cash Credit/WCDL	96.40	31.96
2	The Hongkong and Shanghai Banking Corporation Limited	Factoring of Receivables	124.00	121.57
3	Loans from Directors		-	27.75

ANNEXURE VII

DETAILS OF SUNDRY DEBTORS

(Rs.in Millions)

	As at September 30,		As at March 31,				
	2006	**2005**	**2006**	**2005**	**2004**	**2003**	**2002**
Unsecured considered, considered good							
Over six months	3.15	1.44	3.62	1.72	8.64	4.38	3.78
Others	1,233.43	925.72	1,134.32	730.92	418.39	244.71	119.96
Total Sundry Debtors	**1,236.58**	**927.16**	**1,137.94**	**732.64**	**427.03**	**249.09**	**123.74**

ANNEXURE VIII

DETAILS OF LOANS AND ADVANCES (Unsecured, considered good)

(Rs.in Millions)

	As at September 30,		As at March 31,				
	2006	2006	2006	2005	2004	2003	2002
Advance Recoverable in cash or kind or for							
value to be received	10.45	9.80	8.76	13.81	2.23	1.00	0.88
Interest Accrued but not Due	6.77	1.78	3.09	1.57	-		
Other Current Assets	2.59	-	1.87	1.98	-	0.60	-
Total Loans and Advances	**19.81**	**11.59**	**13.72**	**17.36**	**2.23**	**1.60**	**0.88**
Promoter Group balances included above	Nil	Nil	Nil	Nil	Nil	Nil	Nil

ANNEXURE IX

DETAILS OF CURRENT LIABILITIES AND PROVISIONS

(Rs.in Millions)

	As at September 30,		As at March 31,				
	2006	2005	2006	2005	2004	2003	2002
Current Liabilities							
Sundry Creditors	958.79	750.63	883.38	693.66	273.67	175.81	84.81
Other Current Liabilities	6.06	4.75	2.93	9.57	4.87	1.55	0.83
Total Current Liabilities	**964.85**	**755.38**	**886.31**	**703.23**	**278.54**	**177.36**	**85.64**
Provisions							
Provision for Tax [Net of Advance Tax]	219.50	139.00	135.83	107.27	17.75	11.42	6.01
Provision for Tax on Dividend	-	15.68	-	15.68	-	-	-
Total Provisions	**219.50**	**154.68**	**135.83**	**122.95**	**17.75**	**11.42**	**6.01**

The figures disclosed above are based on the restated financial statements of the Company.

ANNEXURE X

Statement of Related Parties Disclosure

A. List of Related parties

Associates Companies	N.S. Shares & Investments Private Limited
	Ajinkya Hotelling Private Limited
	Vastu Housing Finance Corporation Limited
Key management personnel	Nitin Sontakke, Chairman & Managing Director
	Mrs. Vidya Sontakke, Executive Director
	Apoorv Sontakke, Executive Director
	David Kunder, Executive Director
	Harbhagwan Arora, Joint Managing Director
	Satish Bhagwat, Executive Director
	R.M. Kharajkhede, Executive Director (Retired as Executive Director w.e.f. April 01, 2006)
Relatives of Directors	Apoorv Sontakke
	Ajinkya Sontakke
	Mrs. Asha Sontakke

B. Transactions with Related parties

Rs. Millions

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Remuneration to Key management personnel							
Nitin Sontakke	2.56	2.56	5.10	1.88	0.27	0.21	0.13
Mrs. Vidya Sontakke	1.96	1.96	3.90	3.50	0.27	0.21	0.13
Apoorv Sontakke	1.02	0.88	1.90	-	-	-	-
David Kunder	1.02	1.02	2.04	2.25	-	-	-
Harbhagwan Arora	1.02	1.02	2.04	2.35	-	-	-
Satish Bhagwat	1.02	1.02	2.04	2.35	0.11	0.11	0.06
R.M. Karajkhede	Nil	0.22	0.40	0.34	0.20	0.15	0.08
Contribution to Group Gratuity Fund for Directors	1.26	1.26	2.48	-	-	-	-
Remuneration to Relatives of Directors							
Apoorv Sontakke (Prior to becoming director)	-	0.03	0.03	2.49	0.16	0.16	0.08
Ajinkya Sontakke	-	0.05	0.05	1.75	0.09	0.06	-
Rent paid to Key management personnel							
Nitin Sontakke	0.24	0.25	0.48	0.12	-	-	-
Apoorv Sontakke	0.16	0.16	0.30	-	-	-	-

Particulars	30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Rent paid to relatives of Directors							
Apoorv Sontakke	-	-	-	0.08	-	-	-
Deposit for Land on Lease (Outstanding)							
Nitin Sontakke	1.06	1.06	1.06	1.06	1.06	1.06	1.06
Mrs. Vidya Sontakke	0.66	0.66	0.66	0.66	0.66	0.66	0.66
Interest paid on ICDs							
Vastu Housing Finance Corporation Limited	-	-	0.18	-	-	-	-
ICDs taken and repaid							
Vastu Housing Finance Corporation Limited	-	-	40.00	-	-	-	-
Purchase of Factory Land							
Nitin Sontakke	3.51	-	-	-	-	-	-

ANNEXURE XI

CAPITALISATION STATEMENT AS AT SEPTEMBER 30, 2006

(Rs.in millions)

	Pre-issue as at Sept 30, 2006	**Post Issue (see note below)**
Short Term Debt (a)	918.00	
Long Term Debt (b)	157.07	
Total Debt (c=a+b)	**1,075.07**	
Shareholders' Funds		
Equity Share Capital	250.00	
Reserves, as restated (see note below)	502.23	
Total Shareholders' Funds (d)	**752.23**	
Long Term Debt / Shareholders' Funds (b/d)	0.21	
Total Debts / Shareholders' Funds (c/d)	1.43	

Notes :

1. Short term debts represent debts which are due within twelve months from September 30, 2006.
2. Long term debts represents debt other than short term debt as defined above.
3. The figures disclosed above are based on the restated financial statements of the Company.
4. Post issue equity can be calculated only on conclusion of the Initial Public Issue.

ANNEXURE XII

STATEMENT OF ACCOUNTING RATIOS

(Rs. in Millions)

Particulars		30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Adjusted Net profit as per Annexure II	(A)	151.02	126.22	251.16	159.88	53.10	24.05	4.99
Weighted average number of equity shares outstanding during the year/period	(B)	25,000,000	25,000,000	25,000,000	15,000,000	10,000,000	3,000,000	3,000,000
Number of Equity Shares outstanding at the end of the year/period	(C)	25,000,000	25,000,000	25,000,000	25,000,000	15,000,000	10,000,000	3,000,000
Net Worth as per Annexure I	(D)	752.23	588.10	612.24	395.58	238.46	147.86	66.31
Accounting Ratios								
Basic and Diluted Earning per Share (Rs.)	(A/B)	12.08*	10.10*	10.05	10.66	5.31	8.02	1.66
Return on Net Worth (%)	(A/D)	40.2%*	45.2%*	41.0%	40.4%	22.3%	16.3%	7.5%
Net Asset Value per Share (Rs.)	(D/C)	30.09	22.32	24.49	15.82	15.90	14.79	22.10

* Accounting Ratios for the half year ended September 30, 2006 and 2005 are annualised.

Accounting Ratios considering face value of each Equity Share as Rs.100/-, being split-up in 10 equity shares of Rs.10/- each as on February 19, 2005.

Accounting Ratios		30.09.2006	30.09.2005	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Basic and Diluted Earning per Share (Rs.)	(A/B)	--	--	--	--	53.10	80.20	16.60
Return on Net Worth (%)	(A/D)	--	--	--	--	22.3%	16.3%	7.5%
Net Asset Value per Share (Rs.)	(D/C)	--	--	--	--	159.00	147.90	221.00

Formulae :

Earning per Share (Basic and Diluted) = Adjusted Net Profit / Weighted average number of equity shares outstanding during the year

Return on Net Worth = Adjusted Net Profit / Net Worth

Net Asset Value per Share = Net Worth / Number of Equity Shares outstanding at the End of the year

ANNEXURE XIII

STATEMENT OF TAX SHELTERS

Rs. Millions

	For the half year ended September 30,		For the year ended March 31,				
	2006	2005	2006	2005	2004	2003	2002
Profit before current and deferred taxes, as restated (A)	234.77	196.82	392.51	275.28	91.93	43.96	9.35
Applicable Tax Rates (%) (B)	33.66%	33.66%	33.66%	36.59%	35.88%	36.75%	35.70%
(Including surcharge and cess)							
Tax on Actual Rate on Book Profits (C)	79.02	66.25	132.12	100.73	32.98	16.16	3.34
Adjustments							
Permanent Differences							
Provision for Gratuity	-	-	(2.50)	2.50	-	-	-
Deduction u/c VI-A	-	-	-	-	-	-	0.01
Total Permanent Differences (D)	-	-	(2.50)	2.50	-	-	0.01
Timing Differences							
Difference between Book Depreciation and Tax Depreciation	(0.21)	(2.72)	(12.74)	(67.03)	(8.92)	(4.07)	(2.40)
Total Timing Differences (E)	(0.21)	(2.72)	(12.74)	(67.03)	(8.92)	(4.07)	(2.40)
Net Adjustments (F=D+E)	(0.21)	(2.72)	(15.24)	(64.53)	(8.92)	(4.07)	(2.39)
Tax savings thereon (G = F*B)	(0.07)	(0.92)	(5.13)	(23.61)	(3.20)	(1.50)	(0.85)
Total tax Charge (H=C+G)	78.95	65.33	126.99	77.12	29.78	14.66	2.49
		-					
Interest u/s 234 of the Act (I)	3.93	2.67	8.84	15.73	6.15	3.84	1.03
Restated Tax Provision for the year (J=H+I)	82.88	68.00	135.83	92.85	35.93	18.50	3.52
(Excess)/Short provision in the financial statements as compared to Return of Income (K)	-	-	-	21.85	5.43	5.45	1.04
Actual Provision made in the books of accounts (L=J-K)	82.88	68.00	135.83	71.00	30.50	13.05	2.48

Note : The permanent / timing differences have been computed considering the acknowledged copies of the Income tax Returns filed by the Company for each of the respective years stated above except for the half year ended September 30, 2006, 2005 and year ended March 31, 2006. The figures for the half year ended September 30, 2006, 2005 and for the year ended March 31, 2006 are based on the provisional computation of total income prepared by the Company. The same is subject to any changes which may be made between the date of this statement and the date of filing the Income Tax return with the Income Tax authorities. The income tax charge as per the return of Income is considered to be the final charge and accordingly the difference in the Income Tax charge between the provision in the financial statements and return of income is charged / credited in the restated financial statements.

INDEBTEDNESS

Details of Secured Borrowings

(Rs.in Millions)

A. Working Capital

Sr. No.	Name of the Lender	Facility	Sanctioned Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
1	Indian Bank	Cash Credit	138.20	-31.51	10.90%	These said loans are working Capital facilities given to the Company on an on going basis to be renewed yearly.	Secured by way of hypothecation of stock of raw material, work in Progress, finished Products & book debts on a Pari passu basis and second charge on all the fixed assets of the Company.
		Working Capital Demand Loan	72.00	104.98	10.90%		
2	The Federal Bank Ltd	Cash Credit	65.00	62.11	10.00%		
		Foreign Currency Demand Loan	45.00	40.39	7.88%		
3	Development Credit Bank Ltd	Cash Credit	10.80	10.63	11.00%		
		Working Capital Demand Loan	31.76	24.78	11.00%		
		Foreign Currency Demand Loan	11.40	10.39	6.39%		
4	Andhra Bank	Cash Credit	10.80	10.11	11.00%		
		Working Capital Demand Loan	43.20	41.68	11.00%		
5	UCO Bank	Cash Credit	118.00	114.32	11.00%		
		Foreign Currency Demand Loan	0.00	-	8.93%		
6	United Bank of India	Cash Credit	80.04	73.65	11.00%		
7	Canara Bank	Cash Credit	97.00	91.10	11.00%		
8	Oriental Bank of Commerce	Cash Credit	75.00	70.06	11.00%		
9	State Bank of Travancore	Foreign Currency Demand Loan	73.00	73.00	11.00%		
10	The Laxmi Vilas Bank Ltd	Cash Credit	28.80	28.10	11.00%		
	Total (A)		**900.00**	**723.79**			

B. Term Loans

Sr. No.	Name of Lender	Amount Sanctioned (In Rs. Million)	Amount Outstanding (In Rs. Million)	Interest Rate	Security	Repayment
1.	Federal Bank	3.75	1.89	3.50% above Bank's Prime Lending Rate (11%)*	Hypothecation of machines	60 months commencing from the date of disbursal of the loan
2.	Indian Bank	31.25	25.04	2% above Bank's Prime Lending Rate (11%)	Hypothecation of machines; Personal guarantees of Directors	20 quarterly installments commencing from April 2005
3.	Canara Bank	31.25	21.81	11%	Hypothecation of machines	19 quarterly installments commencing from April 9, 2005
4.	Development Credit Bank Limited	50.00	34.38	Bank's Prime Lending Rate – 2% (11%)	Hypothecation of machines	20 quarterly installments commencing from October 2005
5.	Lakshmi Vilas Bank Limited	2.38	1.46	1.5% below the Prime Lending Rate (11%)	Hypothecation of machines	10 equal quarterly installments
6.	Lakshmi Vilas Bank Limited	11.03	6.76	1.5% below the Prime Lending Rate (11%)	Hypothecation of machines	10 equal quarterly installments
7.	UCO Bank	32.50	26.16	2% over the Bank's Prime Lending Rate (11%)	Hypothecation of plant and machinery	20 equal quarterly installments commencing from October 2005
8.	Indian Bank	38.10	4.05	Bank's Rime Lending Rate+ Term Premia – 0.50% (11%)	Equitable mortgage over the Company's plant and machinery at Gorhekhurd, Pune ; Personal Guarantee of Promoter Directors	20 quarterly installments commencing from May 2007
9.	Indian Bank	60.00	48.45	1.50% over the Bank's Benchmark Prime Lending Rate (11%)	Mortgage of machinery	20 quarterly installments
	Total (B)		**170.00**			

* *Figures in bracket indicate present interest rate.*

C. Vehicle Loans - All vehicles loans are fully repaid during the six months ended September 30, 2006 and no dues are outstanding towards the vehicle loans as on September 30, 2006.

D. Unsecured Loans

Sr. No.	Name of the Lender	Facility	Sanctioned Amount (in Rs. million)	Balance (in Rs. million)	Repayment Schedule
1	Standard Chartered Bank	Cash Credit/WCDL	96.40	31.96	This loan is a working capital facility on an ongoing / running basis renewal yearly.
2	The Hong Kong and Shanghai Banking Corporation Limited	Factoring of Receivables	124.00	121.57	
3	Loans from Directors of the Company			27.75	On demand
	Total (D)			**181.28**	
	Total (A + B + C + D) =			**1,075.07**	

Note: *For the entire bank borrowings, apart from the securities mentioned above, personal guarantees have been given by Nitin P. Sontakke, Chairman and Managing Director of the Company, Vidya N. Sontakke, Wholetime Director of the Company and Asha P. Sontakke, mother of Nitin P. Sontakke.*

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of the loans. These are summarised below:

(1) It is provided that the Company cannot alter its capital structure or withdraw or be allowed to withdraw moneys brought in by the promoters or relatives and friends of the promoters or directors of the Company without the consent of the lender.

(2) It is provided that the Company cannot issue any debentures, raise any loans, accept deposits from public or issue equity or preference capital or change its capital structure without the consent of the lender.

(3) It is provided under some loan agreements that the Company cannot effect any change in its capital structure, its Memorandum of Association and Articles of Association or make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern without the approval of the lenders except in ordinary course of business.

(4) Additionally, in respect of a number of the loans, the Directors of the Company have provided personal guarantees.

The Company has not defaulted in the repayment of its term loans to date and all payments towards the same have been made on a regular basis.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You are also advised to read the section titled "Risk Factors", which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to our company and is based on our restated financial statements. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act. The following discussion is also based on internally prepared statistical information and publicly available information.

The following discussion does not relate to our results of operations after the half year ended September 30, 2006. For a discussion on our results of operations after the half year ended September 30, 2006 please see the section titled "Significant Developments after September 30, 2006 that may Affect the Future of our Operations".

Overview

Under our "Blue Bird" brand, we are the leading manufacturer of paper-based notebook products (student/ exercise books), with a strong presence in western and southern India. According to the AC Nielsen ORG-MARG Report, approximately 80% of the Indian stationery market is controlled by "unorganised" regional manufacturers. Only 20% of the market is organised out of which 15% is controlled by the large players and the balance 5% is controlled by the medium sized players. As of May 31, 2006, we have the highest market share of 48% out of the 15% of the total market share that is controlled by the large players, in the organised market for paper-based notebook products in India, according to a market study commissioned by the Company conducted by AC Nielsen ORG-MARG. We also manufacture other stationery products like files, perforated pads, registers and filler papers as part of our business. We also print text books and engage in other bespoke commercial printing of items such as calendars and diaries, leaflets and product pamphlets and instruction materials and publish books and other materials, as well as publishing in-house produced content. We and our predecessor businesses have over 30 years of experience in the printing business. For further details, please refer to the section titled "Our History and Corporate Structure" of this Red Herring Prospectus.

Presentation and Comparability of Financial Statements

We do not consider our products and printing to be segments for financial reporting purposes under Indian GAAP. Accordingly, except as specified below, our results of operations, including our revenues and expenditures, incorporate the historical results of operations of all of our products and printing services.

Key factors affecting our Results of Operations

There are several key factors, which may affect our operations. Some important factors are given below.

- The overall demand for the product.
- The competition from domestic organized and unorganized sector.
- Cost of main raw material such as paper.
- Support from our suppliers.
- Success of our expansion plans.

For further discussion on these issues, please refer to the section titled "Industry" on page 39, the section titled "Our Business" beginning on page 47 and the section titled "Risk Factors" on page xi of this Red Herring Prospectus.

Foreign Currency

Our foreign currency exposure relates principally to the import of printing and manufacturing equipment, which is priced in Euro or US dollars and our export of certain products to Kenya, Ghana and South Africa, which are paid for in US dollars.

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the year end rate.

From time to time, we enter into hedging arrangements in order to reduce risks from our foreign currency exposure. See paragraph on "Hedging Activities" below.

Any gains and losses on account of i.e. difference resulting from the cancellation or expiry of forward contracts designated as hedge of highly probable forecast transactions are recognised in the profit and loss account in the period in which the contracts mature, are cancelled or expire.

Adverse movements in foreign exchange rates may adversely affect our business, results of operations and financial conditions.

Hedging Activities

We enter into foreign exchange forward contracts from time to time to hedge a portion of our foreign exchange exposure in respect of US dollars and the Euro. Our foreign exchange forward contracts are recorded at the contracted rate and the difference between the contracted rate and the rate at the date of the transaction is recognised over the period of the contract. Gain or loss on the restatement of the foreign currency transactions and the cancellation of forward exchange contracts, if any, is reflected in the profit and loss account except any gain or loss on transactions relating to the acquisition of fixed assets, which is adjusted to the carrying amounts of the fixed assets. As at March 31, 2006, we had outstanding foreign exchange forward contracts in the amount of USD 4.59 million.

Our Significant Accounting Policies

Our financial statements prepared in accordance with Indian GAAP and the accompanying notes thereto included in this Red Herring Prospectus include information that is relevant to this discussion and analysis of our financial condition and results of operations. The preparation of our financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the related disclosure of cash flows and contingent liabilities, among others. Certain key accounting policies relevant to our business and operations have been described below. For a detailed description of our significant accounting policies, see Annexure IV of the restated financial statements under Indian GAAP included in this Red Herring Prospectus.

General : The financial statement have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institutes of Chartered Accountants of India and the relevant provisions of Companies Act. The financial statements have been prepared under the historical cost convention on an accrual basis, and the accounting policies have been consistently applied by us.

Revenue Recognition: Sales revenue is recognized when property in the goods, together with all risks and benefits, are transferred to the buyer.

Fixed Assets: Fixed Assets are stated at actual cost less accumulated depreciation and impairment loss. Actual cost comprises purchase price, freight, duties and taxes and other incidental expenses relating to acquisition and installation.

Borrowing costs attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use are capitalized until such time as all activities necessary to prepare the qualifying asset for its intended use are complete or substantially complete.

Depreciation, Amortisation and Impairment of Assets: Depreciation is provided on a pro-rata basis as per the Straight Line Method rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

At each balance sheet date the Company reviews the carrying amount of the fixed assets to determine whether there are factors giving rise to any indications of impairment. If any such factors exist, the company determines and provides for or reverses an impairment loss following the principles stated in Accounting Standard 28 – "Impairment of Assets".

Inventories : Finished goods produced and consumables purchased by the Company are valued at the lower of cost and net realizable value.

Cost of inventories is ascertained on a First In First Out (FIFO) basis. Finished goods are valued on full absorption cost basis.

Foreign Currency Transactions: Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the year-end rate. Non-monetary foreign currency assets are carried at cost.

Any gain or losses on account of exchange differences either on settlement or on transaction are recognized in the profit and loss account except in case where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

Retirement Benefits: Retirement benefits in the form of Provident Fund and Gratuity are charged to Profit & Loss account of the year when the contribution to the respective fund is due.

Taxes on Income: Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods.

Impairment Loss: As per Accounting Standard AS-28 ‘Impairment of Assets’ effective from April 01, 2004, the Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired and if such indication exists, the carrying value of such asset is reduced to its recoverable amount and a provision is made for such impairment loss in the profit and loss account.

Earning Per Share: Basic Earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The Company has not issued any potential equity shares and accordingly, the basic earning per share and diluted earning per share are the same.

Provisions, Contingent Liabilities and Contingent Assets: A Provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities if material are disclosed by way of notes to Accounts. Contingent Assets are not recognized.

Miscellaneous Expenditure (Not Written Off): Deferred revenue expenditure is fully written off during the year in which it is incurred as per the provisions of the Revised Accounting Standard AS 26 – Intangible Assets.

Revenues

Our income consists primarily of revenues from the sale of notebooks. We also generate income through commercial printing and publication. Since fiscal 2005, we have begun to generate income through the export of notebooks and printed matter to Ghana, Kenya and South Africa. Our income has increased at a CAGR of 56.9% from Rs. 1,630.73 million in fiscal 2004 to Rs. 4,016.99 million in fiscal 2006. This growth is as a result of the expansion of our printing operations, leading to increased sales volumes and the manufacture of products that can be sold at a higher price.

The table below provides a breakup of our total income.

	For the year ended March 31,						For the six months ended September 30			
	2006		2005		2004		2006		2005	
	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income
Income										
Notebooks	3,530.06	87.9%	2,960.61	89.3%	1,309.55	80.3%	1,946.24	81.9%	1,727.16	86.0%
Publication	242.36	6.0%	198.12	6.0%	199.24	12.2%	199.87	8.4%	162.78	8.1%
Printing	157.94	3.9%	123.66	3.7%	119.65	7.3%	202.33	8.5%	79.83	4.0%
Export	78.82	2.0%	25.47	0.8%	-	0.0%	22.67	1.0%	33.76	1.7%
Total Sales	**4,009.18**	**99.8%**	**3,307.86**	**99.7%**	**1,628.44**	**99.9%**	**2,371.11**	**99.8%**	**2,003.53**	**99.8%**
Other Income	7.81	0.2%	9.13	0.3%	2.29	0.1%	4.12	0.2%	3.92	0.2%
Total Income	**4,016.99**	**100.0%**	**3,316.99**	**100.0%**	**1,630.73**	**100.0%**	**2,375.53**	**100.0%**	**2,007.45**	**100.0%**

Income from Products Manufactured

We derive most of our income from the sale of Notebooks which has increased at a CAGR of 64.2% during the period from fiscal year 2004 to fiscal year 2006. For the six months ended September 30, 2006 and 2005, and the year ended March 31, 2006, 2005 and 2004, sales of Notebooks accounted for 81.9%, 86.0%, 87.9%, 89.3% and 80.3% of our total income, respectively.

Our income from products manufactured also include income from sale of publication of books and other materials. The revenue from Publication has increased at a CAGR of 10.3% during the period from fiscal year 2004 to fiscal year 2006. For the six months ended September 30, 2006 and 2005, and the year ended March 31, 2006, 2005 and 2004 sale of publications accounted for 8.4%, 8.1%, 6.0%, 6.0% and 12.2% of our total income, respectively.

We also earn the income from printing of textbooks for various state government textbook production and research corporations and commercial printing such as calendars, diaries, corporate brochures, leaflets, product pamphlets and other instruction manuals. The revenue from commercial printing has increased at a CAGR of 14.9% during the period from fiscal year 2004 to fiscal year 2006. For the six months ended September 30, 2006 and 2005, and the year ended March 31, 2006, 2005 and 2004, commercial printing revenue accounted for 8.5%, 4.0%, 3.9%, 3.7%, and 7.3% of our total income, respectively.

In fiscal 2005, we began export of printing jobs to Ghana and Kenya. For the six months ended September 30, 2006 and 2005, and the year ended March 31, 2006 and 2005, exports revenue were Rs. 22.67 million, Rs. 33.76 million, Rs. 78.82 million and Rs. 25.47 million and accounted for 1.0%, 1.7%, 2.0% and 0.8% of our total income, respectively.

Other Income

Other income includes principally interest income on deposits with banks. For the six months ended September 30, 2006 and 2005, and the years ended March 31, 2006, 2005 and 2004, other income accounted for 0.2%, 0.2%, 0.2%, 0.3% and 0.1% of our total income, respectively.

Expenditure

Our largest operating expenditure is on material consumption, which includes outsourcing of certain production. Other significant operating expenditure includes changes in inventory, other manufacturing expenses, employee cost, selling and administration expenses, depreciation on fixed assets and interest and finance charges. Our total expenditure, as a percentage of our total income, was 90.1%, 90.2%, 90.2%, 91.7% and 94.4% for the six months ended September 30, 2006 and 2005, and the years ended March 31, 2006, 2005 and 2004, respectively.

The following table reflects specific expenditure and significant components thereof, profit before tax, net profit before adjustments but after regroupings as per audited accounts, adjustments, total impact of adjustments, total of adjustments after tax impact and net profit, as restated, for the six months ended September 30, 2006 and 2005, and the year ended March 31, 2006, 2005 and 2004 and the respective percentage of our total income for the corresponding six months or year, respectively.

	For the year ended March 31						For the six months ended September 30			
	2006		2005		2004		2006		2005	
	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income	Rs. Millions	% of Total Income
Income	**4,016.99**	**100.0%**	**3,316.99**	**100.0%**	**1,630.73**	**100.0%**	**2,375.53**	**100.0%**	**2,007.45**	**100.0%**
Expenditure										
Material Consumption	3,361.37	83.7%	2,960.49	89.3%	1,535.99	94.2%	2,021.59	85.10%	1,582.62	78.84%
(Increase)/Decrease in Finished Goods inventory	(52.09)	-1.3%	(148.18)	-4.5%	(104.90)	-6.4%	(78.72)	-3.3%	74.13	3.7%
Other Manufacturing Expenses	42.11	1.0%	47.13	1.4%	29.48	1.8%	28.61	1.2%	22.24	1.1%
Employee Cost	45.60	1.1%	22.11	0.7%	10.00	0.6%	23.94	1.0%	22.64	1.1%
Administration, Selling & Distribution Expenses	90.54	2.3%	86.53	2.6%	25.34	1.6%	65.10	2.7%	44.24	2.2%
Interest and Finance Charges	103.62	2.6%	62.79	1.9%	39.70	2.4%	61.42	2.6%	48.62	2.4%
Depreciation	33.33	0.8%	10.84	0.3%	3.19	0.2%	18.82	0.8%	16.14	0.8%
Total Expenditure	**3,624.48**	**90.2%**	**3,041.71**	**91.7%**	**1,538.80**	**94.4%**	**2,140.76**	**90.1%**	**1,810.63**	**90.2%**
Profit before Tax	**392.51**	**9.8%**	**275.28**	**8.3%**	**91.93**	**5.6%**	**234.77**	**9.9%**	**196.82**	**9.8%**
Provision for Taxation										
- Current Tax	135.83	3.4%	71.00	2.1%	30.50	1.9%	82.88	3.5%	68.00	3.4%
- Deferred Tax	4.29	0.1%	27.71	0.8%	-	0.0%	.07	0.0%	2.0	0.0%
- Fringe Benefit Tax	1.29	0.0%	-	0.0%	-	0.0%	.80	0.0%	.60	0.0%
Total provision for Taxation	141.41	3.5%	98.71	3.0%	30.50	1.9%	83.75	3.5%	70.60	3.5%
Net profit after Tax (Before adjustments but after regroupings as per Audited Accounts)	**251.10**	**6.3%**	**176.57**	**5.3%**	**61.43**	**3.8%**	**151.02**	**6.4%**	**126.22**	**6.3%**
Adjustments										
Add : Misc.Expenses	**0.06**	**0.0%**	**0.01**	**0.0%**	**0.01**	**0.0%**	**-**	**0.0%**	**-**	**0.0%**
(Short)/Excess provision of Tax for earlier years restated										
Provision for Taxation										
- Current Tax	-	0.0%	(21.85)	-0.7%	(5.43)	-0.3%	-	0.0%	-	0.0%
- Deferred Tax	-	0.0%	5.15	0.2%	(2.91)	-0.2%	-	0.0%	-	0.0%
Total Adjustments for restatement	**0.06**	**0.0%**	**(16.69)**	**-0.5%**	**(8.33)**	**-0.5%**	**-**	**0.0%**	**-**	**0.0%**
Tax impact on adjustments	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total of adjustments after tax impact	**0.06**	**0.0%**	**(16.69)**	**-0.5%**	**(8.33)**	**-0.5%**	**-**	**0.0%**	**-**	**0.0%**
Net profit, as restated	**251.16**	**6.3%**	**159.88**	**4.8%**	**53.10**	**3.3%**	**151.02**	**6.4%**	**126.22**	**6.3%**

Material Consumption: Material Consumption expenditures consists principally of paper, as well as ink, binding materials and consumables.

(Increase)/Decrease in Finished Goods Inventory: (Increase)/Decrease in Finished Goods Inventory consists of change in inventory of finished goods at our manufacturing location and 18 regional offices.

Other Manufacturing Expenses: Other Manufacturing Expenses consists of DTP charges, outsourced labour charges, freight and octroi, processing charges, power and fuel and repairs and maintenance for plant and machinery.

Employee Cost: Employee Cost is the expenditure incurred on employees including directors and comprises salaries, wages and allowances, contributions to provident and other funds, gratuity payments, staff welfare cost, and recruitment and training cost.

Administration Selling and Distribution Expenses: Administration Selling and Distribution Expenses consists of rent, rates and taxes, insurance charges, postage and telephone costs, printing and stationery, travelling and conveyance costs, legal and professional fees, bank charges and commission, repairs and maintenance costs, advertisement expenses, commission on sales, business promotion expenses, miscellaneous expenses written off, exchange rate variation and other miscellaneous expenses.

Interest and Finance Charges: Interest expenditure consists of interest paid in respect of outstanding borrowings and other finance charges.

Depreciation: Depreciation is provided on a pro-rata basis pursuant to the straight line method rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

At each balance sheet date we review the carrying amount of the fixed assets to determine whether there are factors giving rise to any indications of impairment. If any such factors exist, we determine and provide for or reverse an impairment loss following the principles stated in Accounting Standard 28 – "Impairment of Assets".

Provision for tax: Provision for tax comprises both current and deferred taxes. Current tax is the amount of tax payable on the taxable income, for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized as a result of timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods.

Adjustments

The financial information for fiscal 2006, fiscal 2005, fiscal 2004, fiscal 2003 and fiscal 2002 and half year ended 2006 & 2005 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the effects of restatement are shown as a cumulative effect on our adjusted profit after tax rather than as restatements of individual line items in our income statement. Consistent with this presentation, in the comparison of our results of operations from fiscal period to fiscal period, we have provided a discussion of the effects of the restatement on our adjusted profit at the end of each such fiscal period to fiscal period comparison.

The profit and loss accounts of certain years include short provision of income tax for earlier years. The impact on account of such short provision for income tax has been adjusted in the respective years.

Tax impact of adjustments pertains to the tax effect on restatement adjustments at the tax rates applicable in the respective years.

OUR RESULTS OF OPERATIONS:

Six months ended September 30, 2006 Compared with six months ended September 30, 2005

Some of the key developments ended September 30, 2006 were:

- Our sales increased by Rs.367.58 million, or by 18.3% from Rs.2,003.53 million in six months ended September 30, 2005 to Rs.2,371.11 million in six months ended September 30, 2006.
- Our Net Profit after Tax increased by Rs. 24.80 million, or by 19.6%, from Rs.126.22 million in six months ended September 30, 2005 to Rs.151.02 million in six months ended September 30, 2006. The

net profit margin increased from 6.3% in six months ended September 30, 2005 to 6.4% in six months ended September 30, 2006.

As a percentage of revenue, the aggregate cost of consumption of raw material and change in inventory has decreased to 81.8% in six months ended September 30, 2006 as compared to 82.5% in six months ended September 30, 2005.

Total Income: Total income increased by Rs. 368.08 million, or 18.3%, from Rs.2,007.45 million in the six months ended September 30, 2005 to 2,375.53 million in the six months ended September 30, 2006.

The following table shows the summary of changes in our income during the six months ended September 30, 2006:

	Six months ended September 30,			
Rs. Millions	**2006**	**2005**	**Increase / (Decrease)**	**Percentage change**
Sales				
Notebooks	1,946.24	1,727.16	219.08	12.7%
Publication	199.87	162.78	37.09	22.8%
Printing	202.33	79.83	122.50	153.5%
Export	22.67	33.76	(11.09)	-32.8%
Total Sales	**2,371.11**	**2,003.53**	**367.58**	**18.3%**
Other Income				
Interest Income	4.23	3.52	0.71	20.1%
Other Income	0.19	0.40	(0.21)	-52.5%
Total Other Income	**4.42**	**3.92**	**0.5**	**12.8%**
Total Income	**2,375.53**	**2,007.45**	**368.08**	**18.3%**

The increase in total income was principally due to an increase of Rs.219.08 million, or 12.7%, in sales of notebooks from Rs.1,727.16 million in the six months ended September 30, 2005 to Rs.1,946.24 million in the six months ended September 30, 2006. Revenue from sale of notebooks increased due to overall growth in the scale of our operations during the six months ended September 30, 2006.

Revenue from commercial printing activity has increased due to improved marketing efforts, including more direct reach to end users. Revenue from exports has witnessed a decrease of 32.8% in the six months ended September 30, 2006 over the six months ended September 30, 2005. This decrease was principally due to not receiving expected export orders during the six months ended September 30, 2006.

Interest income increased mainly due to an increase in deposits with banks. Other income has decreased marginally.

Total Expenditure: Total expenditure increased by Rs.330.13 million, or 18.2%, from Rs.1,810.63 million in the six months ended September 30, 2005 to Rs.2,140.76 million in six months ended 2006. This increase was principally due to increase in Material Consumption by Rs.438.97 million, or 27.7%, from Rs.1,582.62 million in the six months ended September 30, 2005 to Rs.2,021.59 million in the six months ended September 30, 2006.

The following table shows the summary of increase in total expenditure :

	Six months ended September 30			
Rs. Millions	2006	2005	Increase / (Decrease)	Percentage change
Material Consumption	2,021.59	1,582.62	438.97	27.7%
(Increase)/Decrease in Finished Goods inventory	(78.72)	74.13	-152.85	-200.06%
Other Manufacturing Expenses	28.61	22.24	6.37	28.6%
Employee Cost	23.94	22.64	1.3	5.7%
Administration, Selling & Distribution Expenses	65.10	44.24	20.86	47.2%
Interest and Finance Charges	61.42	48.62	12.8	26.3%
Depreciation	18.82	16.14	2.68	16.6%
Total Expenditure	**2,140.76**	**1,810.63**	**330.13**	**18.2%**

Material Consumption

Material Consumption increased by Rs. 438.97 million or 27.7%, from Rs. 1,582.62 million in the six months ended September 30, 2005 to Rs. 2,021.59 million in the six months ended September 30, 2006 principally as a result of increased production and sales in the six months ended September 30, 2006 as compared to six months ended September 30, 2005.

As a percentage of revenue, the cost of consumption of raw material has increased to 85.1% in the six months ended September 30, 2006 as compared to 78.8% in the six months ended September 30, 2005. The increase is principally due to an increase in the closing stock of finished goods as at September 30, 2006 by Rs. 152.85 millions as compared to September 30, 2005.

Variation in Finished Goods Inventory

The inventory of finished goods increased by Rs. 78.72 million in the six months ended September 30, 2006 as compared to a decrease of Rs.74.13 million in the six months ended September 30, 2005 an increase of Rs. 152.85 million, or 200.06%. As a percentage of revenue, variation in finished goods inventory has decreased to 3.3% in the six months ended September 30, 2006 as compared to increase of 3.7% in the six months ended September 30, 2006 due to the higher inventory holdings during fiscal 2006 as a result of overall growth in the operations of the Company resulting in a larger inventory.

Other Manufacturing Expenses

Other manufacturing expenses have increased by Rs. 6.37 million from Rs. 22.24 million in the six months ended September 30, 2005, to Rs. 28.61 million in the six months ended September 30, 2006. This represents an increase of 28.6% principally resulting from the overall growth in the turnover of the Company by 18.3% during the same period.

Employee Cost

Employee cost has increased by Rs.1.3 million, or 5.7%, from Rs.22.64 million in the six months ended September 30, 2005 to Rs.23.94 million in the six months ended September 30, 2006 principally due to overall growth in the turnover of the Company by 18.3%, which required an overall increase in the number of qualified engineers and skilled employees.

Administration, Selling & Distribution Expenses

Administration, Selling & Distribution Expenses increased by Rs. 20.86 million or 47.2% from Rs. 44.24 million in the six months ended September 30, 2005 to Rs. 65.10 million in the six months ended September 30, 2006 principally on account of our enhanced marketing activities during the period.

Interest and Finance Charges

Interest and Finance charges increased by Rs. 12.8 million, or 26.3%, from Rs.48.62 million in the six months ended September 30, 2005 to Rs. 61.42 million in six months ended September 30, 2006. The increase is principally a result of an increase in bank borrowing for working capital in connection with the increased scale of operations that we experienced during the six months ended September 30, 2006.

Depreciation

Depreciation increased by Rs.2.68 million, or by 16.6%, from Rs.16.14 million in the six months ended September 30, 2005 to Rs.18.82 million in six months ended September 30, 2006. The increase is due to full-period depreciation during the six months ended September 30, 2006 to assets that were acquired during the six months ended September 30, 2005 and to which proportionate depreciation had been applied during the six months ended September, 2005.

Profit before Tax

Profit before tax increased by Rs.37.95 million, or by 19.3%, from Rs.196.82 million in the six months ended September 30, 2005 to Rs.234.77 million in the six months ended September 30, 2006.

Provision for Taxation

Provision for taxation increased by Rs. 13.15 million from Rs. 70.60 million in the six months ended September 30, 2005 to Rs. 83.75 million in the six months ended September 30, 2006, representing an increase of 18.6%.

Net Profit

Our Net Profit after Tax increased by Rs. 24.8 million, or by 19.6%, from Rs.126.22 million in the six months ended September 30, 2005 to Rs.151.02 million in the six months ended September 30, 2006. The net profit margin increased from 6.3% in the six months ended September 30, 2005 to 6.4% in the six months ended September 30, 2006.

Fiscal 2006 Compared with Fiscal 2005

Some of the key developments during the fiscal 2006 were:

- Our sales increased by Rs.701.32 million, or by 21.2% from Rs.3,307.86 million in fiscal 2005 to Rs.4,009.18 million in fiscal 2006.
- Our Net Profit after Tax increased by Rs. 91.28 million, or by 57.1%, from Rs.159.88 million in fiscal 2005 to Rs.251.16 million in fiscal 2006. The net profit margin increased from 4.8% in fiscal 2005 to 6.3% in fiscal 2006.
- As a percentage of revenue, the cost of consumption of raw material has decreased to 83.7% in fiscal 2006 as compared to 89.3% in fiscal 2005.
- Our plant at Pune became fully operational following expansion and modernization.
- First full year of exports with export sales of Rs.78.82 million.

Total Income: Total income increased by Rs. 700.00 million, or 21.1%, from Rs.3,316.99 million in fiscal 2005 to 4,016.99 million in fiscal 2006.

The following table shows the summary of changes in our income during fiscal 2006:

Rs. Millions	2006	2005	Increase / (Decrease)	Percentage change
Sales				
Note books	3,530.06	2,960.61	569.45	19.2%
Publication	242.36	198.12	44.24	22.3%
Printing	157.94	123.66	34.28	27.7%
Export	78.82	25.47	53.35	209.5%
Total Sales	**4,009.18**	**3,307.86**	**701.32**	**21.2%**
Other Income				
Interest Income	7.02	8.58	(1.56)	-18.2%
Other Income	0.79	0.55	0.24	43.6%
Total Other Income	**7.81**	**9.13**	**(1.32)**	**-14.5%**
Total Income	**4,016.99**	**3,316.99**	**700.00**	**21.1%**

The increase in total income was principally due to an increase of Rs.569.45 million, or 19.2%, in sales of notebooks from Rs.2,960.61 million in fiscal 2005 to 3,530.06 million in fiscal 2006. Revenue from sale of notebooks, has increased due to overall growth in the scale of our operations as well as the strengthening of our marketing by induction of a whole time director with independent responsibility of sales and marketing.

Revenue from publication sales has increased due to improved demand for our titles in the market as well as the increase in the breadth of our offering.

Revenue from commercial printing activity has increased due to improved marketing efforts, including more direct reach to end users. As fiscal 2006 was the first full year of exports, revenue from exports has witnessed an increase of 209.5% in fiscal 2006 over fiscal 2005.

Interest income has reduced mainly due to reduction in interest rates on deposits with banks.

Total Expenditure: Total expenditure increased by Rs.582.77 million, or 19.2%, from Rs.3,041.71 million in fiscal 2005 to Rs.3,624.48 million in fiscal 2006. This increase was principally due to increase in material consumption by Rs.400.88 million, or 13.5%, from Rs.2,960.49 million in fiscal 2005 to Rs.3,361.37 million in fiscal 2006.

The following table shows the summary of increase in total expenditure

Rs. Millions

	2006	2005	Increase / (Decrease)	Percentage change
Material Consumption	3,361.37	2,960.49	400.88	13.5%
(Increase)/Decrease in Finished Goods inventory	(52.09)	(148.18)	96.09	-64.8%
Other Manufacturing Expenses	42.11	47.13	(5.02)	-10.7%
Employee Cost	45.60	22.11	23.49	106.2%
Administration, Selling & Distribution Expenses	90.54	86.53	4.01	4.6%
Interest and Finance Charges	103.62	62.79	40.83	65.0%
Depreciation	33.33	10.84	22.49	207.5%
Total Expenditure	**3,624.48**	**3,041.71**	**582.77**	**19.2%**

Material Consumption

Material Consumption increased by Rs. 400.88 million or 13.5%, from Rs. 2,960.49 million in fiscal 2005 to Rs. 3,361.37 million in fiscal 2006 principally as a result of increased production and sales in fiscal 2006 as compared to fiscal 2005.

As a percentage of revenue, the cost of consumption of raw material has decreased to 83.7% in fiscal 2006 as compared to 89.3% in fiscal 2005. The decrease is principally due to a reduction in wastage as a result of modernization of manufacturing process and reduction in job outsourcing.

Variation in Finished Goods Inventory

The inventory of finished goods increased by Rs. 52.09 million in fiscal 2006 as compared to an increase of Rs. 148.18 million in fiscal 2005 a decrease of Rs. 96.09 million, or 64.8%. As a percentage of revenue, variation in finished goods inventory has decreased to 1.3% in fiscal 2006 as compared to 4.5% in fiscal 2005 due to the lower inventory holdings during fiscal 2006 as a result of improved production planning with modernized manufacturing processes and better inventory controls.

Other Manufacturing Expenses

Other manufacturing expenses have decreased by Rs. 5.02 million from Rs. 47.13 million fiscal 2005, to Rs. 42.11 million in fiscal 2006. This represents a decrease of 10.7% principally on account of a decrease in processing charges resulting from our establishment of in-house pre-press processing unit.

Employee Cost

Employee cost has increased by Rs.23.49 million, or 106.2%, from Rs.22.11 million in fiscal 2005 to Rs.45.60 million in fiscal 2006 principally due to increase in compensation package to all the executive directors, which took effect from April 01, 2005 as well as the overall increase in number of qualified engineers and skilled employees.

Administration, Selling & Distribution Expenses

Administration, selling & distribution expenses increased by Rs. 4.01 million or 4.6% from Rs. 86.53 million in fiscal 2005 to Rs. 90.54 million in fiscal 2006 principally on account of our enhanced marketing activities.

Interest and Finance Charges

Interest and finance charges increased by Rs. 40.83 million, or 65.0%, from Rs.62.79 million in fiscal 2005 to Rs. 103.62 million in fiscal 2006. The increase is principally a result of an increase in bank borrowing for working capital in connection with the increased scale of operations that we experienced during fiscal 2006.

Depreciation

Depreciation increased by Rs.22.49 million, or by 207.5%, from Rs.10.84 million in fiscal 2005 to Rs.33.33 million in fiscal 2006. The increase is due to acquisition of fixed assets as part of our expansion and modernization during fiscal 2005 and the impact of fiscal 2006 being the first full year of operation after the expansion plan.

Profit before Tax

Profit before tax increased by Rs.117.23 million, or by 42.6%, from Rs.275.28 million in fiscal 2005 to Rs.392.51 million in fiscal 2006.

Provision for Taxation

Provision for taxation increased by Rs. 25.95 million from Rs. 115.40 million fiscal 2005 to Rs. 141.35 million in fiscal 2006, representing an increase of 22.5%.

Net Profit

Our Net Profit after Tax increased by Rs. 91.28 million, or by 57.1%, from Rs.159.88 million in fiscal 2005 to Rs.251.16 million in fiscal 2006. The net profit margin increased from 4.8% in fiscal 2005 to 6.3% in fiscal 2006.

Fiscal 2005 Compared with Fiscal 2004

Some of the key developments during the fiscal 2005 were :

- Execution of the expansion and modernization of our Pune factory.
- Our sales increased by Rs.1,679.42 million, or by 103.1% from Rs.1,628.44 million in fiscal 2004 to Rs. 3,307.86 million in fiscal 2005.
- Our Net Profit after Tax increased by Rs.106.78 million, or by 201.1%, from Rs.53.10 million in fiscal 2004 to Rs. 159.88 million in fiscal 2005. Our net profit margin increased from 3.3% in fiscal 2004 to 4.8% in fiscal 2005.
- As a percentage of revenue, cost of consumption of raw material decreased to 89.3% in fiscal 2005 as compared to 94.2% in fiscal 2004.
- Entry into export market in Ghana and Kenya with export sales of Rs. 25.47 million.
- Opening of nine regional sales offices at Chennai, Bangalore, Indore, Hyderabad, Delhi, Mangalore, Calicut, Hubli and Vijaywada, strengthening the market set-up.

Total Income: Total income increased by Rs. 1,686.26 million, or 103.4%, from Rs.1,630.73 million in fiscal 2004 to 3,316.99 million in fiscal 2005.

The following table shows the summary of increase in total income –

Rs. Millions

	2005	2004	Increase	Percentage change
Sales				
Notebooks	2,960.61	1,309.55	1,651.06	126.1%
Publication	198.12	199.24	(1.12)	-0.6%
Printing	123.66	119.65	4.01	3.4%
Export	25.47	-	25.47	-
Total Sales	**3,307.86**	**1,628.44**	**1,679.42**	**103.1%**
Other Income				
Interest Income	8.58	2.29	6.29	274.7%
Other Income	0.55	0.00	0.55	-
Total Other Income	**9.13**	**2.29**	**6.84**	**298.7%**
Total Income	**3,316.99**	**1,630.73**	**1,686.26**	**103.4%**

The increase in total income was principally due to an increase of Rs.1,651.06 million, or 126.1%, in sales of notebooks from Rs.1,309.55 million in fiscal 2004 to Rs. 2,960.61 million in fiscal 2005.

The increase was principally due to sales volume increase made possible by the enhancement in capacity at our Pune factory.

Revenue from publication sales decreased by Rs. 1.12 million from Rs.199.24 million in fiscal 2004 to Rs. 198.12 million in fiscal 2005 representing a decrease of 0.6%.

Revenue from Printing Activity increased by Rs. 4.01 million from Rs. 119.65 million in fiscal 2004 to Rs. 123.66 million in fiscal 2005 representing an increase of 3.4%.

Exports commenced from fiscal 2005 and as such there is no comparison with fiscal 2004. The revenue from exports for fiscal 2005 was Rs. 25.47 million.

Interest income increased by Rs. 6.29 million from Rs. 2.29 million in fiscal 2004 to Rs.8.58 million in fiscal 2005. This increase was principally due to the increase in fixed deposits with banks as these being margin for non-fund-based working capital facilities.

Total Expenditure: Total expenditure increased by Rs.1,502.91 million from Rs.1,538.80 million in fiscal 2004 to Rs. 3,041.71 million in fiscal 2005 representing an increase of 97.7%. This increase was principally due to an increase in material consumption by Rs.1,424.50 million, or 92.7%, from Rs.1,535.99 million in fiscal 2004 to Rs. 2,960.49 million in fiscal 2005.

The following table shows the summary of increase in total expenditure –

Rs. Millions

	2005	2004	Increase	Percentage change
Material Consumption	2,960.49	1,535.99	1,424.50	92.7%
(Increase)/Decrease in Finished Goods	(148.18)	(104.90)	(43.28)	41.3%
Other Manufacturing Expenses	47.13	29.48	17.65	59.9%
Employee Cost	22.11	10.00	12.11	121.1%
Administration, Selling & Distribution Expenses	86.53	25.34	61.19	241.5%
Interest and Finance Charges	62.79	39.70	23.09	58.2%
Depreciation	10.84	3.19	7.65	239.8%
Total Expenditure	**3,041.71**	**1,538.80**	**1,502.91**	**97.7%**

Material Consumption

Material Consumption increased by Rs. 1,424.50 million from Rs. 1,535.99 million in fiscal 2004 to Rs. 2,960.49 million in fiscal 2005 principally on account of increased level of operations in fiscal 2005 as compared to fiscal 2004.

As a percentage of revenue, cost of consumption of raw material decreased to 89.3% in fiscal 2005 as compared to 94.2% in fiscal 2004. The decrease is due to a decrease in the procurement cost of paper, our principal raw material, and the modernization of our manufacturing process resulting in reduced wastage.

Variation in Finished Goods Inventory

The inventory of finished goods increased by Rs. 148.18 million in fiscal 2005 as compared to an increase of Rs. 104.90 million in fiscal 2004. This represented an increase in the credit of Rs. 43.28 million, or 41.3% from fiscal 2004 to fiscal 2005 as a result of greater inventory holdings at the end of fiscal 2005, principally on account of 103.1% increase in total revenue.

Other Manufacturing Expenses

Other manufacturing expenses has increased by Rs. 17.65 million from Rs. 29.48 million fiscal 2004 to Rs. 47.13 million in fiscal 2005 representing an increase of 59.9% due to increased level of activity.

Employee Cost

Employee cost increased by Rs.12.11 million, or 121.1%, from Rs.10.00 million in fiscal 2004 to Rs. 22.11 million in fiscal 2005, principally due to the overall increase in number of employees and the compensation paid to the employees in line with the increased level of activities.

Administration, Selling & Distribution Expenses

Administration, selling & distribution expenses increased by Rs.61.19 million, or by 241.5%, from Rs.25.34 million in fiscal 2004 to Rs.86.53 million in fiscal 2005, principally due to overall increase in the scale of operations by 103%. The increase principally consists of increases in bank charges of Rs.20.51 million and marketing expense of Rs. 28.57 million in fiscal 2005 over fiscal 2004.

Interest and Finance Charges

Interest and finance charges increased by Rs.23.09 million, or by 58.2%, from Rs.39.70 million in fiscal 2004 to Rs. 62.79 million in fiscal 2005. This increase was due to increase in bank borrowing for working capital for our increased scale of operations.

Depreciation

Depreciation increased by Rs.7.65 million, or by 239.8%, from Rs.3.19 million in fiscal 2004 to Rs. 10.84 million in fiscal 2005. The increase is due to acquisition of fixed assets amounting to Rs.258.44 million, principally in connection with expansion and modernization plan during the fiscal 2005.

As a percentage of revenue, depreciation has increased to 0.3% in fiscal 2005 as compared to 0.2% in fiscal 2004.

Profit before Tax

Profit before tax increased by Rs.183.35 million, or by 199.4%, from Rs.91.93 million in fiscal 2004 to Rs. 275.28 million in fiscal 2005.

Provision for Taxation

Provision for taxation has increased by Rs. 76.57 million from Rs. 38.83 million in fiscal 2004 to Rs. 115.40 million in fiscal 2005 representing an increase of 197.2%. As a percentage of revenue the provision for taxation has increased from 2.4% in fiscal 2004 to 3.5% in fiscal 2005. This increase is principally on account of increased profits and increase in corporate tax rates by 0.72% from 35.875% to 36.59%.

Net Profit

Our net profit after tax increased by Rs. 106.78 million, or by 201.1%, from Rs.53.10 million in fiscal 2004 to Rs. 159.88 million in fiscal 2005. Our net profit margin has increased from 3.3% in fiscal 2004 to 4.8% in fiscal 2005.

REVIEW OF ASSETS AND LIABILITIES

Fixed Assets

Fixed Assets comprises:

- Gross block, which is mainly comprised of plant and machinery, but also includes land and building, furniture and fixtures, vehicles and other fixed assets; and
- Capital work in progress, including advances for capital expenditure, is mainly comprised of capital assets in construction or on order.

The following table illustrates our fixed assets as at September 30, 2006 and 2005, and as at March 31, 2006, 2005 and 2004.

Rs. Millions

	As at March 31,			As at September 30	
	2006	**2005**	**2004**	**2006**	**2005**
Land	1.72	1.72	1.72	5.23	1.72
Building					
Gross Block	65.97	25.25	25.25	65.97	55.51
Less : Accumulated Depreciation	3.31	1.27	0.85	4.41	2.10
Net Block	62.66	23.98	24.40	61.65	53.41
Plant and Machinery					
Gross Block	299.31	271.12	43.74	300.19	288.99
Less : Accumulated Depreciation	40.71	12.78	5.16	56.15	26.25
Net Block	258.60	258.34	38.58	244.04	262.74
Furniture and Fixture					
Gross Block	17.78	13.58	2.13	18.31	15.70
Less : Accumulated Depreciation	1.74	0.80	0.18	2.31	1.37
Net Block	16.04	12.78	1.95	16.00	14.33
Vehicles					
Gross Block	18.51	15.13	4.73	19.73	16.91
Less : Accumulated Depreciation	3.30	2.20	0.68	4.18	2.81
Net Block	15.21	12.93	4.05	15.55	14.10
Other Fixed Assets					
Gross Block	14.56	10.87	1.66	15.08	11.90
Less : Accumulated Depreciation	2.24	0.92	0.26	3.06	1.58
Net Block	12.32	9.95	1.40	12.02	10.32
Total Gross Block	417.85	337.67	79.23	424.51	390.73
Less : Accumulated Depreciation	51.30	17.97	7.13	70.11	34.11
Total Net Block	366.55	319.70	72.10	354.40	356.62
Add : Capital Work in Progress	32.48	-	-	63.12	-
Total Net Fixed Assets	399.03	319.70	72.10	417.51	356.62

Current Assets, Loans and Advances

Current Assets, Loans and Advances are comprised principally of:

- Inventory of raw material, stores and spares and consumables and finished goods;
- Sundry Debtors, which relates to debts owned to us in respect of the sales of our products and services;
- Cash and Bank balances; and

- Loans and advances, which primarily relates to deposits with Government and other various authorities, deposits for godowns and offices on lease, advances for expenses and advances to employees, interest accrued but not due and other current assets.

The following table sets forth details of our inventory as at September 30, 2006 and 2005, and as at March 31, 2006, 2005 and 2004.

Rs. Millions

	As at March 31,			As at September 30	
	2006	2005	2004	2006	2005
Raw Material	601.09	524.13	178.45	694.77	640.67
Finished Goods	406.38	354.29	206.11	485.10	280.16
Total Inventories	**1,007.47**	**878.42**	**384.56**	**1,179.87**	**920.83**

The following table sets forth details of our sundry debtors as at September 30, 2006 and 2005, and as at March 31, 2006, 2005 and 2004.

Rs. Millions

	As at March 31,			As at September 30	
	2006	2005	2004	2006	2005
Unsecured, considered good					
Over six months	3.62	1.72	8.64	3.15	1.44
Others	1,134.32	730.92	418.39	1,233.43	925.72
Total Sundry Debtors	**1,137.94**	**732.64**	**427.03**	**1,236.58**	**927.16**

The following table sets forth details of our Loans and Advances as at September 30, 2006 and 2005, and as at March 31, 2006, 2005 and 2004.

Rs. Millions

	As at March 31,			As at September 30	
	2006	2005	2004	2006	2005
Loans and Advances, Unsecured, considered good Advance Recoverable in cash or kind or for value to be received	8.76	13.81	2.23	10.45	9.80
Interest Accrued but not Due	3.09	1.57	-	6.77	1.78
Other Current Assets	1.87	1.98	-	2.58	-
Total Loans and Advances	**13.72**	**17.36**	**2.23**	**19.81**	**11.59**

Current Liabilities and Provisions

Current Liabilities and Provisions primarily consists of current liabilities to sundry creditors, other current liabilities and provision for tax, provision for tax on dividend.

The following table sets forth our Current Liabilities as at September 30, 2006 and 2005, and as at March 31, 2006, 2005 and 2004.

Rs. Millions

	As at March 31,			As at September 30	
	2006	2005	2004	2006	2005
Sundry Creditors	883.38	693.66	273.67	958.79	750.63
Other Current Liabilities	2.93	9.57	4.87	6.06	2.25
Total Current Liabilities	**886.31**	**703.23**	**278.54**	**964.85**	**752.88**

Deferred Tax Liability

Deferred Tax Liability comprises the income tax benefits which have already been availed by us due to the timing difference between our taxable income and accounting income.

Secured Loans and Unsecured Loans

Secured Loans are comprised of Long Term Debts and certain Short Term Debts. Unsecured Loans are comprised of certain short term Debts. We have no long term unsecured debt.

Long-Term and Short-Term Debt

Short-term debt comprises debt having 365 days or less maturity, all of which is comprised of working capital liabilities. Long term debt is debt with maturity of greater than one year. The following table sets forth our short term, long term and total indebtedness as at September 30, 2006 and 2005, and as at March 31, 2006, 2005 and 2004.

Rs. Millions

	As at March 31,			As at September 30	
	2006	**2005**	**2004**	**2006**	**2005**
Short Term Debt	853.34	619.06	383.14	905.07	673.85
Long Term Debt	193.99	218.95	31.15	170.00	194.67
Total Debt	**1,047.33**	**838.01**	**414.29**	**1,075.07**	**868.52**

Long-Term Debt

Set forth below is a table showing our debt maturity profile as at September 30, 2006

Rs. Millions

Rs. Millions	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt	170.00	12.93	50.83	45.92	60.32

The following table summarises our indebtedness and subordinated debt obligations as of September 30, 2006.

(Rs.in Millions)

A. Working Capital

Sr.No.	Name of the Lender	Facility	Sanctioned Amount	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
1	Indian Bank	Cash Credit	138.20	31.51	10.90%	This loan is a working Capital facility on an ongoing / running basis renewal yearly.	Secured by way of hypothecation of stock of raw material, work in progress, finished products & book debts (pari passu basis) and second charge on all the fixed assets of the Company
		Working Capital Demand Loan	72.00	104.98	10.90%		
2	The Federal Bank Ltd	Cash Credit	65.00	62.11	10.00%		
		Foreign Currency Demand Loan	45.00	40.39	7.88%		
3	Development Credit Bank Ltd	Cash Credit	10.80	10.63	11.00%		
		Working Capital Demand Loan	31.76	24.78	11.00%		
		Foreign Currency Demand Loan	11.40	10.39	6.39%		
4	Andhra Bank	Cash Credit	10.80	10.11	11.00%		
		Working Capital Demand Loan	43.20	41.68	11.00%		
5	UCO Bank	Cash Credit	118.00	114.32	11.00%		
		Foreign Currency Demand Loan	0.00	0.00	8.93%		
6	United Bank of India	Cash Credit	80.04	73.65	11.00%		
7	Canara Bank	Cash Credit	97.00	91.10	11.00%		
8	Oriental Bank of Commerce	Cash Credit	75.00	70.06	11.00%		
9	State Bank of Travancore	Foreign Currency Demand Loan	73.00	73.00	11.00%		
10	The Laxmi Vilas Bank Ltd	Cash Credit	28.80	28.10	11.00%		
	Total (A)		**900.00**	**723.79**			

B. Term Loans

Sr. No.	Name of Lender	Amount Sanctioned (In Rs. Million)	Amount Outstanding (In Rs. Million)	Interest Rate	Security	Repayment
1.	Federal Bank	3.75	1.89	3.50% above Bank's Prime Lending Rate (11%)*	Hypothecation of machines	60 months commencing from the date of disbursal of the loan
2.	Indian Bank	31.25	25.04	2% above Bank's Prime Lending Rate (11%)	Hypothecation of machines; Personal guarantees of Directors	20 quarterly installments commencing from April 2005
3.	Canara Bank	31.25	21.81	11%	Hypothecation of machines	19 quarterly installments commencing from April 9, 2005
4.	Development Credit Bank Limited	50.00	34.38	Bank's Prime Lending Rate – 2% (11%)	Hypothecation of machines	20 quarterly installments commencing from October 2005
5.	Lakshmi Vilas Bank Limited	2.38	1.46	1.5% below the Prime Lending Rate (11%)	Hypothecation of machines	10 equal quarterly installments
6.	Lakshmi Vilas Bank Limited	11.03	6.76	1.5% below the Prime Lending Rate (11%)	Hypothecation of machines	10 equal quarterly installments
7.	UCO Bank	32.50	26.16	2% over the Bank's Prime Lending Rate (11%)	Hypothecation of plant and machinery	20 equal quarterly installments commencing from October 2005
8.	Indian Bank	38.10	4.05	Bank's Rime Lending Rate+ Term Premia – 0.50% (11%)	Equitable mortgage over the Company's plant and machinery at Gorhekhurd, Pune; Personal Guarantee of Promoter Directors	20 quarterly installments commencing from May 2007
9.	Indian Bank	60.00	48.45	1.50% over the Bank's Benchmark Prime Lending Rate (11%)	Mortgage of machinery	20 quarterly installments
	Total (B)		**170.00**			

** Figures in bracket indicate present interest rate.*

C. **Vehicle Loans -** All vehicles loans are fully repaid during the six months ended September 30, 2006 and no dues are outstanding towards the vehicle loans as on September 30, 2006.

D. Unsecured Loans

Sr.No.	Name of the Lender	Facility	Sanctioned Amount (in Rs. million)	Balance (in Rs. million)	Repayment Schedule
1	Standard Chartered Bank	Cash Credit/WCDL	96.40	31.96	This loan is a working capital facility on an ongoing/ running basis renewal yearly.
2	The Hong Kong and Shanghai Banking Corporation Limited	Factoring of Receivables	124.00	121.57	
3	**Loans from Directors of the Company**			**27.75**	**On demand**
	Total (D)			**181.28**	
	Total (A + B + C + D)			**1,075.07**	

Note: For the entire bank borrowings, apart from the securities mentioned above, personal guarantee has been given by Nitin P. Sontakke, Chairman and Managing Director of the Company, Vidya N. Sontakke, Wholetime Director of the Company and Asha P. Sontakke, mother of Nitin P. Sontakke.

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of the loans. These are summarised below:

(1) It is provided that the Company cannot alter its capital structure or withdraw or be allowed to withdraw moneys brought in by the promoters or relatives and friends of the promoters or directors of the Company without the consent of the lender.

(2) It is provided that the Company cannot issue any debentures, raise any loans, accept deposits from public or issue equity or preference capital or change its capital structure without the consent of the lender.

(3) It is provided under some loan agreements that the Company cannot effect any change in its capital structure, its Memorandum of Association and Articles of Association or make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern without the approval of the lenders except in ordinary course of business.

(4) Additionally, in respect of a number of the loans, the Directors of the Company have provided personal guarantees.

The terms of certain of our borrowings contain certain restrictive covenants. As of the date of this Red Herring Prospectus, we believe that we are in compliance with all the covenants and undertakings for all the loans described above.

Contingent Liabilities

Contingent liabilities are not reflected in our statement of Assets and Liabilities. Our contingent liabilities as of September 30, 2006, are –

- Contracts remaining to be executed on capital account and not provided for are Rs.10.02 million.
- Bank Guarantees issued by banks on behalf of the Company in the amount of Rs. 18.63 million for import of plant and machinery against licenses granted under the EPCG Scheme for payment of customs duty.
- Guarantee Bonds issued in favour of the Customs Authorities amounting to Rs. 152.40 million for fulfillment of export obligations of USD 11.39 million equivalent to Rs. 526.06 million, for import of machinery against licenses granted under the EPCG Scheme. We must fulfill this export obligation by March 18, 2014.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our working capital needs and capital expenditure. We have financed our operations principally by way of cash from operations, infusion of share capital and borrowings.

As of September 30, 2006, we had Rs.189.95 million in cash and cash equivalent on hand and Rs. 176.21 million unutilized on our cash credit/working capital facilities.

Set forth below is the table showing our cash flows from the net cash from the operating activities, net cash used in investing activities and net cash from financing activities for the six months ended September 30, 2006 and 2005 for the year ended March 31, 2006, 2005 and 2004.

	For the year ended March 31,			For the six months ended September 30	
Rs. Millions	**2006**	**2005**	**2004**	**2006**	**2005**
Net Cash from Operating Activities	50.62	(55.03)	(142.63)	112.18	78.52
Net Cash used in Investing Activities	(112.66)	(258.44)	(33.49)	(37.30)	(53.06)
Net Cash from Financing Activities	78.23	384.56	207.65	(40.48)	(14.60)
Net (Decrease)/Increase in Cash and Cash Equivalents	**16.19**	**71.09**	**31.53**	**34.40**	**10.86**

Investing activities consist principally of investments in purchase of fixed assets. Our financing activities consist principally of proceeds of issues of share capital and borrowings.

Significant developments after September 30, 2006 that may affect the future of our operations - NIL

Unusual or infrequent events or transactions: Except as stated elsewhere in this Red Herring Prospectus, there have been no unusual or infrequent transactions to our knowledge that have taken place apart from the transactions relating to capital infusion through issue of fresh share capital. For the details of the same, please refer to the section titled "Capital Structure".

Significant economic or regulatory changes

Except as described in the section "Regulations and Policies" in this Red Herring Prospectus, there have been no significant economic and regulatory changes.

Known trends or uncertainties

Except as described in "Risk Factors" and "Managements Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have any material adverse impact on our revenues or income from continuing operations.

Future relationship between costs and revenue

Except as described in "Risk Factors", "Business" and "Managements Discussion and Analysis of Financial Conditions and Results of Operations", to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

New Products and Business Segments

Except as disclosed in the Red Herring Prospectus, there are no plans to enter into new products or new business segment.

Competitive Conditions

For details on the competition conditions refer to "Our Business Section".

Dependence on single supplier or customer

We source our raw materials from a number of suppliers and do not depend on any single supplier. As set forth in the table below, one single customer accounted for 10.0% of our sales during fiscal 2006.

	Percentage of Sales by Customer for the Year Ended March 31,			Percentage of Sales by Customer for the six months ended September 30	
	2006	**2005**	**2004**	**2006**	**2005**
Top Customer	10.0%	8.5%	12.1%	9.3%	10.4%
Top Five Customers Total	14.3%	12.6%	18.2%	13.6%	13.1%
Top Ten Customers Total	16.1%	14.3%	21.0%	15.4%	15.6%

Although we believe our customer base is sufficiently diversified, we cannot assure you that the loss of this customer would not harm our business or results of operations.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions/small scale undertaking(s), defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by the Company, 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 awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act.) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoter or Directors.

A. ***Contingent Liabilities as of September 30, 2006.***

- Bank Guarantees given by the Company: Rs.18.6 million;
- Custom Guarantee Bonds: Rs. 152.4 million; and
- Contracts remaining to be executed on Capital Account: Rs.10.0 million.

Cases against the Company

As of date of this Red Herring Prospectus, there are no outstanding litigations by or against the Company.

Cases against the Directors

1. A FIR No. 624/91 has been filed against Nitin P. Sontakke and certain others by the PSI, Sambhaji Nagar Police Station, Pune for unauthorised entry in the house of and for damage to property belonging to the Municipal Commissioner, Pune under sections 143, 353 and 427 of the Indian Penal Code (IPC). No further action has been taken on this FIR.
2. A FIR No. 94/99 has been filed against Nitin P. Sontakke and certain others by the PSI, Chaturshungi Police Station, Pune alleging that he instigated students and was responsible for casing damage to college property amounting to Rs. 1,000 during a protest march invoking sections 143,147,148,332,353 and 427 of the IPC. No further action has been taken on this FIR.
3. A FIR No. 3076/2001 has been filed against Nitin P. Sontakke and certain others under section 37(1) (S) of the Bombay Police Act and section 135 of the IPC for unlawful assembly and gathering. The Judicial Magistrate First Class at Pune has granted bail to Nitin P. Sontakke vide order dated July 6, 2001. No further action has been taken on this FIR.
4. Criminal Suit No. 237/01 has been filed against Nitin P. Sontakke and others alleging that they abused and beat up S.G. Ladkat at a function organised to launch a book on the life of Atal Bihari Vajpayee and also threw stones at vehicles causing damage. No further action has been taken on this FIR.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority is required to continue these activities.

General

1. PAN Number: AADCA0162D
2. Certificate of Importer Exporter Code 3103006462 issued on September 10, 2003 by the Office of Regional Joint Director General of Foreign Trade.
3. Provident Fund Code No. MH/PN/121274 issued by the Commissioner, Regional Provident Fund Office, Pune.

Approvals related to our Business

1. No Objection Certificate dated March 24, 2006 issued by the Sarpanch, Gram Panchayat, Gorhekhurd Village, Taluka Haveli, District Pune to carry out business in the name of Blue Bird (India) Limited at Gat No. 277, Gorhekhurd Village within the limits of Haveli No. 16 and for the use of a 1000 Hp connection by the Company.
2. Consent No. ROD/E25/CC/UB/Pune/2484/3117/06 issued by the Maharashtra Pollution Control Board, Regional Office, Pune valid up to July 30, 2012 under Sections 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 and Section 21 of the Air (Prevention & Control of Pollution) Act, 1981 and valid up to March 27, 2009 under Rule 5 of the Hazardous Wastes (Management & Handling) Act and Amended Rules, 2000-2003 for the manufacture of :
    a. Note Books up to a maximum quantity of 23818 MT/Month; and
    b. Printed Material up to a maximum quantity of 4757 MT/Month.

The Company has been categorized as Green/ MSI.

3. Letter No. outward No./Pune District/ 181/3640 from the Maharashtra State Electricity Board for 1000 KVA dated June 20, 2005 valid until revoked for the factory located at Gorhekhurd Village.
4. Letter No. outward No./Pune District/ PD/LR/585/1989 dated March 18, 2006 from the Maharashtra State Electricity Board for the D.G set having an output of 82.5 KVA valid until revoked for the factory located at Gorhekhurd Village.
5. Letter No. outward No./Pune District/ PD/LR/583/1987 dated March 18, 2006 from the Maharashtra State Electricity Board for the D.G set having an output of 82.5 KVA valid until revoked for the factory located at Gorhekhurd Village.
6. Letter No. outward No./Pune District/ PD/LR/586/1990 dated March 18, 2006 from the Maharashtra State Electricity Board for the D.G set having an output of 320 KVA valid until revoked for the factory located at Gorhekhurd Village.
7. Letter No. outward No./Pune District/ PD/LR/584/1988 dated March 18, 2006 from the Maharashtra State Electricity Board for the D.G set having an output of 82.5 KVA valid until revoked for the factory located at Gorhekhurd Village.
8. Letter No. Pune/2(M)(I) 22219 issued by the Ggovernment of Maharashtra for the registration of the factory located at Gorhekhurd Village granting registration No. 081955 which is valid until December 31, 2008.

Licenses under the Shops and Establishments Act

1. License No. 90209941 granted to our office/godown at Indore valid till March 31, 2007.
2. Registration Certificate No. Al029/Hyd69/2005 granted to our office/godown at Hyderabad valid till December 31, 2006.
3. Registration No.GN-11/012479 granted to our office/godown at Mahim, Mumbai valid till December 31, 2006.

4. Registration Certificate No. 14/Ward No/1386/04 granted to our office/godown at Bangalore valid till December 31, 2008.
5. Registration Certificate No. 4/60/0289 granted to our office/godown at Mangalore valid till December 31, 2010.
6. Registration Certificate No. 31-00-0667-06 granted to our office/godown at Hubli valid till December 31, 2008.
7. License No. 78/18933/2004 granted to our office/godown at Aurangabad valid till June 1, 2007.
8. License No. Dhayri/II/1599 granted to our office/godown at Dhayri, Pune valid till April 14, 2008.
9. License No. PN0028297 granted to our office/godown at Solapur valid till April 11, 2008.
10. License No. 15699 granted to our office/godown at Vashi, Mumbai valid till April 11, 2008.
11. License No. 2/2570 granted to our office/godown at Nashik valid till April 11, 2008.
12. License No. 1241 (2) C granted to our office/godown at Kolhapur valid till May 28, 2008.
13. License No. 132630 granted to our office/godown at Vijaywada valid till December 31, 2006.
14. License No. 8972 granted to our Registered Office at Pune, valid till December 31, 2006.
15. License No. C3/32/06 granted to our office/godown at Calicut valid till June 18, 2007.

The Company has also obtained a No Objection Certificate in respect of its godown located at Pimpri Chinchwad from the Gram Panchayat, Tathawade dated April 12, 2006 and in respect of its godown located at Nagpur from the Gram Panchayat, Wadi dated April 13, 2006.

Intellectual Property Related Registrations and Approvals

Trade Mark over "Blue Bird"

1. Trade Mark No. 1257679 dated December 29, 2003 in the name of Anil Apporv Printers and Manufactures Private Limited in Class 16 in respect of paper and paper articles, cardboard articles, notebooks, exercise books, notepads, registers, logbooks, diaries, journals, record books, graph books, ledgers, copier paper, box files, flat files, calendars and playing cards. The Trade Mark is valid for 10 years from the date of application and can be renewed thereafter for further like period and further thereafter at the end of each such period.

Licenses under the Export Promotion Capital Goods Scheme

1. License No. 3130000557/3/11/00 valid till November 11, 2011 for a bond amount of Rs. 8,705,176 for the import of a Muller Martini Inventa Plus Book Sewing Machine.
2. License No. 3130000774/3/11/00 valid till July 26, 2012 for a bond amount of Rs. 62,390,000 for the import of a BDM Universal Casemaker, Ventura Book Sewing Machine, In Line Three Knife Trimmer Merit and Diamant Hard Cover Book Production Line.
3. License No. 3130000944/3/11/00 valid till December 6, 2012 for a bond amount of Rs. 16,814,668 for the import of a Kugler Womako Semi Automatic Wire Binding Machine and an Automatic Punching and Perforating Machine.
4. License No. 3130000945/3/11/00 valid till December 7, 2012 for a bond amount of Rs. 37,585,726 for the import of an Original Will Fully Automatic Exercise Book Machine.
5. License No. 3130000973/3/11/00 valid till December 28, 2012 for a bond amount of Rs. 4,336,000 for the import of an Automatic Punching and Eyeleting Machine, a Twin Punching and Eyeleting Machine, an Automatic Twin Head Riveter Model, a Pneumatic Press Model, a Paper Drilling Machine and a Creasing Machine.
6. License No. 3130001013/3/11/00 valid till January 28, 2013 for a bond amount of Rs. 21,184,682 for the import of a Fully Automatic Acorn Perfect Binder Machine.

7. License No. 3130001068/3/11/00 valid till March 13, 213 for a bond amount of Rs. 1,384,000 for the import of a Rez Autobind 500 Semi-Automatic Wire Comb Binder.

Sales Tax Approvals

1. Certificate No. 458756 under the Central Sales Tax (Registration & Turnover) Rules, 1957 for registration as a dealer.
2. Certificate No. W-24-H-1457 for registration as a dealer under Section 8 of the Maharashtra Sales Tax on the Transfer of Property in Goods involved in the Execution of Works Contracts Act, 1989.
3. The VAT TIN number for Company is 27280308157V and the CST TIN number for the Company is 27280308157C.
4. The Karnataka VAT TIN is 29770209060.
5. The Andhra Pradesh VAT TIN is 28400176236.
6. The Madhya Pradesh Sales Tax Registration Number is 23571303138.
7. Certificate No. 3313A5380 under the Central Sales Tax (Registration and Turnover) Rules, 1957 for registration as wholesale and retail distributors.
8. Certificate No. 3313A0380 under the Kerala General Sales Tax Rules, 1963 for registration as a dealer.
9. Certificate No. 0962613/2003-04 under the Tamil Nadu General Sales Tax Act, 1959.

Pending Approvals

1. The Company has filed Form TM-33 on March 16, 2006 before the Registrar of Trade Marks that the name of the Proprietor of the Trade Mark “Blue Bird” registered in Class 16 be changed from Anil Apporv Printers and Manufacturers Private Limited to Blue Bird (India) Limited.
2. The Company has made an application dated April 15, 2006 for the registration of the “Blue Bird” logo in Class 16 in respect of paper and paper articles, cardboard articles, notebooks, exercise books, notepads, registers, logbooks, diaries, journals, record books, graph books, ledgers, copier paper, box files, flat files, calendars and playing cards.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The present Issue has been authorized by the Board of Directors in their meeting on May 20, 2006, and by the shareholders of our Company at an EGM held on May 27, 2006.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoter, our group companies, associates of our group companies and other companies promoted by our Promoter and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither we nor our Directors, Associates, Promoters, Promoter Group companies or relatives of our Promoters have been detained as wilful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years; and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The aggregate of the proposed Issue size and all previous issues made in the same financial year is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Red Herring Prospectus under the section "Financial Statements", as at, and for the last five years ended FY 2005 are setforth below:

(In Rs. millions)

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Net Tangible Assets (1)	838.23	642.24	274.76	164.63	68.32
Monetary Assets (2)	155.55	139.36	68.27	36.74	19.03
Net profits, as restated	251.16	159.88	53.10	24.05	4.99
Net worth, as restated	612.24	395.58	238.46	147.86	66.31

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).

(2) Monetary assets include cash on hand and bank. Detailed figures are given in the section titled "Financial Statements" on page 87 of this Red Herring Prospectus.

(3) The distributable profits of the company as per Section 205 of the Companies Act has been calculated from the audited financial statements of the respective years/period before making adjustments for restatement of Financial Statements.

Disclaimer Clause

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 THE 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, DSP MERRILL LYNCH LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 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 DSP MERRILL LYNCH LIMITED, IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JUNE 21, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(ii) 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, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE 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;

(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR 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 RED HERRING PROSPECTUS."

THE BOOK RUNNING LEAD MANAGER AND OUR COMPANY ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

WE CERTIFY THAT WRITTEN CONSENT FROM OUR PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MAHARASHTRA AT PUNE, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Caution

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www. bluebirdpune.com would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us, and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us, the BRLM 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, at bidding centers or elsewhere.

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 authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to permitted non-residents including FIIs registered with SEBI, and eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, and eligible foreign investors, provided that they are eligible to under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered 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 this Red Herring Prospectus comes is required to inform himself or herself 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 Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this 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 this 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 since 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 of 1933 (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 under 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 are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

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.

Disclaimer Clause of BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated October 5, 2006, permission to us 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 scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- Warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
- Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- 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 the Draft 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 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 the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide a letter dated September 15, 2006 permission to us to use NSE's name in the Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed, The NSE has scrutinised 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 be deemed or construed to mean 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 our 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 this Company.

Every person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against 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.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai-400 012.

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 and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with ROC at the Office of the Registrar of Companies at 3rd Floor, PMT Building, Deccan Gymkhana, Pune-411 004.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. The NSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Member, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the ROC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

Jayant V. Kolapkar & Co. and Shashank Patki and Associates, Chartered Accountants have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

Jayant V. Kolapkar & Co. and Shashank Patki and Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [•] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue will be incurred by the Company.

The estimated Issue expenses are as under:

Activity	Expenses		
	(in Rs. Million)	(Percentage of total Issue expenses)	(Percentage of total Issue size)
Lead management, underwriting commission	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Registrars fee, legal fee, etc.	[•]	[•]	[•]
Others	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

Fees Payable to the BRLM and the Syndicate Members

The total fees payable to the Book Running Lead Manager and the Syndicate Member will be as per the letter of appointment dated March 17, 2006 with the BRLM issued by our Company, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the Memorandum of Understanding between us and the Registrar to the Issue dated June 20, 2006.

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 them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Underwriting commission, brokerage and selling commission on previous issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Other than as disclosed in the section titled "Capital Structure" on page 13 of this Red Herring Prospectus, our Company has not made any previous issues of shares for consideration otherwise than for cash

Companies under the Same Management

Except as stated in "Our Promoters and Promoter Group" on page 79 of this Red Herring Prospectus, there are no companies under the same management.

Promise v/s Performance

Our Company nor any Group or associate companies has made any previous rights and public issues.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one 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 the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have also appointed David P. Kunder, as the Compliance Officer for this Issue. He may be contacted in case of any pre-Issue or post-Issue related problems, at the following address:

David P. Kunder
759/74, Prabhat Road,
Deccan Gymkhana, Pune- 411 004
Tel: (91 20) 2567 6163; Fax: (91 20) 2567 6164
Email:bluebird@bluebirdpune.com
Website: www.bluebirdpune.com

Change in Auditors

There have been no changes of the auditors in the last three years except as given below:

Name of Auditor	Date of Appointment	Date of Resignation
Shashank Patki and Associates	September 30, 2005	

Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 13 of this Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets in the last five years.

Payment or benefit to our officers

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Other than as disclosed in the section titled "Financial Statements" on page 87 of this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors or Promoters of the Company or the Company.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, Registrar of Companies, RBI, FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

From the Company

The Issue has been authorized by a resolution of our Board dated May 20, 2006 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at an extra ordinary general meeting of the shareholders of our Company held on May 27, 2006.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of Payment of Dividend

We shall pay dividends, as and when declared, to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

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

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders 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;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page 167 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of 60 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Pune, Maharashtra, India.

Nomination Facility to Investor

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 holder(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 were 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 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 accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- 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 days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 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 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (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 under 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 are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

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.

ISSUE STRUCTURE

The present Issue of 8,775,000 Equity Shares of Rs. 10 each, at a price of Rs. [•] for cash aggregating Rs. [•] million is being made through the 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 4,387,500 Equity Shares	Minimum of 1,316,250 Equity Shares or Issue Size less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 3,071,250 Equity Shares or Issue Size less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allotment/allocation	Up to 50% of Issue Size being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 35% of Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 219,375 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 4,168,125 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	60 Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	60 Equity Shares in multiples of 1 Equity Shares	60 Equity Shares in multiples of 1 Equity Shares	60 Equity Shares in multiples of 1 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

* The Issue is being made through the 100% book building process wherein up to 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. At least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and At least 35% of the 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. Under-subscription, if any, in any category, would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLM. See “Issue Procedure” on page 144 of this Red Herring Prospectus.

** 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 are in the same sequence in which they appear in the Bid cum Application Form.

Withdrawal of the Issue

The Company in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

Bidding/Issue Programme

BID/ISSUE OPENS ON	**November 16, 2006**
BID/ISSUE CLOSES ON	**November 22, 2006**

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 except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/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 web sites of the BRLM and at the terminals of the Syndicate.

ISSUE PROCEDURE

The Red Herring Prospectus reflects the changes made to the SEBI Guidelines in relation to the refunds to the applicants by way of NEFT/ECS/RTGS pursuant to the SEBI Circular SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006. However, we may make certain other changes in the relevant sections of the Red Herring Prospectus to reflect the position arising out of the amendments brought in to the SEBI Guidelines by the terms of the SEBI circular dated April 24, 2006, pursuant to further internal consultations with Stock Exchanges, the Registrar and other intermediaries

Book Building Procedure

The Issue is being made through the 100% book building process wherein up to 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the 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.

Bidders are required to submit their Bids through the Syndicate. However, the bids by QIBs shall be submitted only to the BRLM or Syndicate Member duly appointed by them in this regard. In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of 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 and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this 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, NRIs applying on a non repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue

Who can Bid?

- Indian nationals resident in India who are majors in single or joint names (not more than three);
- 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;

- Mutual Funds;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FII registered with SEBI, on a repatriation basis;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions.
- As per existing regulations, OCBs are prohibited from investing in this Issue.

Note: The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

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.

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 219,375 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.

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 share capital carrying voting rights.

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.

Bids by NRIs

1. Bid cum Application Forms have been made available for NRIs at our registered /corporate office, members of the Syndicate and the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

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

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital, i.e. 3,500,000 Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our total paid-up capital.

The applicable cap for the stationary and notebook manufacturing sector is 100%, hence the Board and the shareholders may approve FII investment up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

The above information is given for the benefit of the Bidders. The 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 this 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.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 60 Equity Shares and in multiples of 60 Equity Shares thereafter, so as to ensure that the Bid Price 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 Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 60 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

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 this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the ROC at least 3 (three) days before the Bid/ Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) 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 ROC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/ 14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi) and one Marathi newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the section titled "Issue Procedure" on page 144 of this Red Herring Prospectus) within the Price Band 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/allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after 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 section titled "Issue Procedure" on page 144 of this Red Herring Prospectus.

(e) 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.

(f) During the Bidding/Issue 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.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure" on page 144 of this Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 90 to Rs. 105 per Equity Share, Rs. 90 being the lower end of the Price Band and Rs. 105 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (Rupee One).

(b) Our Company in consultation with the BRLM, reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for 3 (three) additional working days after revision of Price Band subject to a maximum of 10 (ten) working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Marathi newspaper, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate Members.

(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 Bidders.

(e) The Bidder 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 a applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders 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 bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual 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. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member 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 this 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 the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 60 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

Our Company and members of the Syndicate 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 Price 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 the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. 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 as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the Escrow Mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw 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 refer to the section titled "Issue Procedure" on page 144 of this 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 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 members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 (fifteen) days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable 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. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 142 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted 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 (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, 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/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the 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) The 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. Syndicate Members 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 half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the web site of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres 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 on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid Price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary 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/allotment 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, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in the section titled "Issue Procedure" on page 144 of this Red Herring Prospectus.

(h) The permission given by BSE and 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 and/or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; 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 the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

(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.

(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/Issue 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 Price 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 revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) 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.

(g) 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 this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft 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.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of 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.**

(i) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid cum Application Forms shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels.

(b) The Company in consultation with the BRLM shall finalise the “Issue Price”.

(c) The allocation to QIBs will be up to 50% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be at least 15% and 35% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if in any category would be met with spill over from any other category at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 219,375 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders.

(e) Allocation to Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(f) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reason whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Notice to QIBs: Allotment Reconciliation

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. Based on the electronic book, 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 Guidelines, 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.

Issuance of CAN

(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/ allotted 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 and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or members of the Syndicate would dispatch a 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 entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount 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/allotted 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 realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as set forth under the chapter "Terms of Issue" of this Red Herring Prospectus.

Signing of Underwriting Agreement and ROC Filing

(a) The Company, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the ROC

We will file a copy of the Prospectus with the ROC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one national newspaper and a regional language newspaper.

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the ROC. 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.

Designated Date and 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. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within 15 days from the Bid/Issue Closing Date.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, 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/allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) as the case may be;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

(d) Ensure that the Bids are submitted at the bidding centres 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) Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned “Applied for” or “Not Applicable”, in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

(h) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form 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 Bid cum Application Form.

Dont’s:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid Price to 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;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(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 submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue or pink).

(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) For Retail Individual Bidders, the Bid must be for a minimum of 60 Equity Shares and in multiples of 60 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equals to Rs. 100,000 and in multiples of 60 Equity Shares thereafter. 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 shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to 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 credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

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.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details 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 order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be 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.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that 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 Company, Escrow Collection Bank(s) nor the BRLM 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, which 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.

The Company in its absolute discretion, reserves 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, 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 Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

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).
3. NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation;
4. By other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 60 thereafter that the Bid Price exceeds Rs. 100,000. For further details, please refer to the section titled 'Issue Structure' on page 142 of this Red Herring Prospectus.
5. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

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 U.S. 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.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

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 of Association and Articles of Association and/or bye 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 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 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 lodged along with the Bid cum Application Form. Failing this, our Company reserve 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 provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund 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 thereof.

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 Bid cum Application Form, subject to such terms and conditions that our Company and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount 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.
2. 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.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of QIB Bidders: "Escrow Account– Blue Bird Public Issue – QIB – R"
   - In case of Non-resident QIB Bidders: "Escrow Account- Blue Bird Public Issue – QIB– NR"
   - In case of Resident Bidders: "Escrow Account – Blue Bird Public Issue - R"
   - In case of Non Resident Bidders: "Escrow Account – Blue Bird Public Issue – NR"
4. In case of Bids by 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 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 Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated/allotment 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.

7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. 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 with the Bankers to the Issue.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/allotment to the Bidders.
10. 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 RBI 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. Hence, payment through stockinvest would not be accepted in this Issue.

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 centre 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.

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. 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.

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, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple masters.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/ GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear

the same numbers, these will be treated as multiple applications.

5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also 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 Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents 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. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Our Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based 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.

Grounds 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 value of Equity Shares bid for;
2. Age of First Bidder not given;
3. 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;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional and QIB Bidders
11. Bids for number of Equity Shares which are not in multiples of 60;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLM, or Syndicate Members;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, 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 Forms;
20. 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 Depositary Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by QIBs not submitted through members of the Syndicate;
23. Bids by OCBs;
24. Bids by employees the Company who are not Indian nationals and are not in India on the date of submission of the Bid cum Application Form in the Issue;
25. Bids by US persons including "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
26. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Equity Shares in dematerialised form with NSDL or CDSL

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

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated July 17, 2006 with NSDL, the Company and the Registrar to the Issue;

(b) Agreement dated October 13, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder 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 of either 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) Allotment 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) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) 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.

(h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

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, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft 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 letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Disposal of Applications and Application Moneys and Interest In Case Of Delay

The Company shall ensure dispatch of Allotment advice, refunds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 days from the Bid/Issue Closing Date.

Refunds shall be made in the manner described in the section titled "Issue Procedure" on 161 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories' database. The registrar will send the electronic files with the refund data to the bankers to the issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for 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, are taken within seven working days of finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/ Issue Closing Date;
- Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk ;and
- We shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Impersonation

Attention of the applicants 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."

Basis of Allotment

A. 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 allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 3,071,250 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 3,071,250 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 60 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. 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 allotment to all successful Non-Institutional

Bidders will be made at the Issue Price.

- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,316,250 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 1,316,250 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 60 Equity Shares. For the method of proportionate basis of allotment refer below.

C. 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 allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment 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:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 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 from 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 above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance allotment to all QIBs shall be determined as follows:

    (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.

    (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.

    (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

- The aggregate allotment to QIB Bidders shall be upto 4,387,500 Equity Shares.

Letters of Allotment or Refund Orders

We shall give credit of Equity Shares allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/ Issue Closing Date;

- **Dispatch of refund orders**

  Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue; and

- **Interest in case of delay in dispatch of allotment letters/refund orders**

  We shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

  Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Modes of Refund

The payment of refund, if any, shall be undertaken in any of the following manners:

1. **NEFT**

   Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of the RBI as on a date immediately 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.

2. **ECS**

   Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. 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. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the above mentioned fifteen centers.

3. **Direct Credit**

   Applicants having bank accounts with the Banker(s) to the Issue, in this case being, UTI Bank Limited, HDFC Bank Limited, Standard Chartered and Hong Kong and Shanghai Banking Corporation, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Bank(s) to the Issue for the same would be borne by the Issuer.

4. **RTGS**

   Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, 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 IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched 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.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional 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 by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- 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 working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders /allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- 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;
- details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested; and
- our Company shall not have recourse 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.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the stationary and notebook manufacturing sector is permitted under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Subscription by foreign investors (NRIs/FIIs)

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multilateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multilateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (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 under 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 are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

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 above information is given for the benefit of the Bidders. The 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 this 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.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

FURTHER ISSUE OF CAPITAL

(1) Article 5A provides that "1) Where at the 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 either out of the unissued capital or out of the increased share capital 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 near as circumstances admit, to the capital paid up on those shares at the date.

(b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty 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 persons concerned, to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may,' renounce the shares offered to him

(d) After expiry of the time specified in the aforesaid notice 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 them of in such manner and to such person(s) as they may think, in their sole discretion fit.

(2) Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of 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 the General Meeting (including the casting vote, if any, of the chairman) by the 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-c1ause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(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 debenture issued or loans raised by the Company:

(i) To convert such debentures or loans into shares in the Company; or

(ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)

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 Rules, if any, made by the 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 General Meeting before the issue of the debentures or raising of the loans."

CALLS

Article 6(a) provides that "The Board may from time to time make calls upon the members in respect of any money unpaid on their shares on such terms and conditions as the Board may deem fit and the Board may at its discretion also alter, vary, extend, amend, revoke, postpone or cancel such conditions, terms, etc. as may be desired in a particular case or in general and each member shall pay to the Company at the time or times specified in the notice making such call the amount called on his shares."

Article 6A provides that "The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares, in respect of which such advances have been made, the Company may pay interest on such advance made 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.

Any amount paid-up in advance of calls on any share may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits."

FORFEITURE AND LIEN

Article 10 provides that "Neither receipt by the Company of a portion of any money which shall from time to time due by the member to the Company in respect of his shares, either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter proceeding to enforce forfeiture of such shares as provided."

Article 11 provides that "The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) and upon proceeds of sale thereof for all moneys (whether personally payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares 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. Unless otherwise agreed, the registration of transfer of shares shall operate as waiver of the Companies' Lien if any, on such shares. The Directors may at time declare any share wholly or in part to be exempt from the provisions of this clause."

TRANSFER AND TRANSMISSION OF SHARES

Article 15 provides that "The instruments of transfer duly stamped and executed by the Transferor and the Transferee shall be delivered to the Company in accordance with the provisions of the Act. The instrument of transfer shall be accompanied by such evidence as the Board may require to prove the title of the Transferor and his right to transfer the shares and every registered instrument of transfer shall remain in custody of the Company until destroyed by order of the Board. The Transferor of shares shall be deemed to be the holder of such shares until the name of the transferee shall have been entered in the Register of Members in respect thereof. Before the registration of such transfers, the respective share certificates must have been delivered to the Company."

Article 17 provides that "Subject to the provisions of Section 111A of the Act, the Board may at its own absolute and uncontrolled discretion and by assigning reasons, decline to register or acknowledge any transfer of shares, whether fully paid or not, but in such cases it shall, within one month from the date on which the instruments was lodged with the Company send to the transferee and the transferor, notice of refusal to register such transfer. Provided that registration of a transfer shall not refused on the ground of the transferor being , either alone or jointly with any person or persons, indebted to the Company on any account whatsoever except where the Company has a lien on shares."

GENERAL MEETINGS

Article 27 provides that "Regulation 53(1) of Table 'A' shall not apply and the following provision shall apply instead thereof. The Chairman may with the consent of any meeting at which a quorum is present adjourn the meeting from time to time and from place to place."

BOARD OF DIRECTORS

Article 34(a) provides that "Subject to the provisions of the Companies Act, 1956 and notwithstanding anything to the contrary contained in these articles, any Financing Body or Body Corporate or Bank or Insurance Corporation (hereinafter referred to as the 'Financial Institution') shall have a right to appoint, remove, reappoint, substitute from time to time, its nominee as a Director (hereinafter referred as to the ' Nominee Director') on the Board of the Company, so long as any moneys remain owing to them or any of them of the Company, out of any Financial Assistance granted by them or any of them to the Company by way or loan and/or by holding debentures and/or shares in the Company and/or as a result of underwriting or direct subscription and/or any liability of the Company arising out of the guarantee furnished by the Financial Institution on behalf of the Company remains outstanding."

POWERS OF DIRECTORS

Article 38 provides that "Subject to the provisions of the Act , the management of the business of the Company shall be vested in the Directors and the Directors may exercise all such powers and do all such acts, deeds and things as the Company is by the Memorandum of Association or otherwise authorised to exercise and do, and are not hereby or by the Statute or otherwise directed or required to be exercised or done by the Company in the General Meeting, but subject nevertheless to the provisions of the Act and any of the Act and of the Memorandum of Association and these Articles and to any regulations of the Act, from time to time, made by the Company in the general meeting provided that no such regulation shall invalidate any prior act of the Director which would have been valid if such regulation had not been made."

INDEMNITY MAY BE GIVEN

Article 42A provides that "Subject to the provisions of the Act and the Articles, if the Directors or any of them or any other person shall incur or be about to incur any liability whether as principal or surety for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability."

SECRECY

Article 43 provides that "Every Director, Secretary, Auditor or any other officer or employees of the Company shall, if so required by the Directors, before entering upon duties, sign a declaration pledging to observe a strict secrecy respecting all the affairs of the Company, with the customers and the state of account with individuals and in matters relating thereto and shall by declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the Board or by law or by the person to whom such matters relate, except so far as may be necessary in order to comply with any of the provisions of these presents contained."

SECTION IX: 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 entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the ROC, Maharashtra at Pune for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office/corporate 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.

Material Contracts to the Issue

1. Letter of Appointment dated March 17, 2006 to the BRLM from our Company appointing them as the BRLM.
2. Memorandum of Understanding between our Company and the BRLM dated June 20, 2006.
3. Memorandum of Understanding between our Company and Registrar to the Issue, dated June 20, 2006.
4. Escrow Agreement dated [•], 2006 between the Company, BRLM, the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [•], 2006 between the Company, the BRLM, and the Syndicate Member.
6. Underwriting Agreement dated [•], 2006 between the Company, the BRLM and the Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Our certificates in relation to change of name.
4. Board resolution dated May 20, 2006 in relation to the Issue and other related matters.
5. Shareholders' resolution dated May 27, 2006 in relation to this Issue and other related matters.
6. Power of Attorneys executed by the Directors of the Issuer Company in favour of specific person(s) for signing and making necessary changes to the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus and other Issue related documents.
7. Board and shareholder resolutions setting out present terms of employment between our Company and our Directors.
8. Restated Financial Statements prepared by Company under the SEBI Guidelines and the report from Jayant V. Kolapkar & Co. and Shashank Patki and Associates on such restated financial statements, dated November 1, 2006 and mentioned in the Red Herring Prospectus.
9. Copies of annual reports of our Company for the financial years ended March 31, 2002, 2003, 2004, 2005 and 2006.
10. Consent of Jayant V. Kolapkar & Co. and Shashank Patki and Associates, our Joint Auditors for inclusion of their reports on restated financial statements and auditors report on audited financial statements as at September 30, 2006 in the form and context in which they appear in the Red Herring Prospectus.
11. Consents of Bankers to the Company, BRLM, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic and International Legal Counsel to the Underwriters, Domestic Legal Counsel to the Company, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
12. Initial listing applications dated June 21, 2006 and June 22, 2006 filed with BSE and NSE respectively.

13. In-principle listing approval dated October 5, 2006 and September 15, 2006 from BSE and NSE respectively.
14. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated July 17, 2006.
15. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated October 13, 2006.
16. Due diligence certificate dated June 21, 2006 to SEBI from the BRLM.
17. SEBI observation letter No. CFD/DIL/SM/ISSUES/78787/2006 dated October 16, 2006.
18. Share Purchase Agreement dated October 27, 2006 between India China Pre-IPO Equity (Mauritius) Limited, the Company, the Promoters, Asha P. Sontakke & Apoorv N. Sontakke.
19. Shareholders Agreement dated October 27, 2006 between India China Pre-IPO Equity (Mauritius) Limited, the Company, the Promoters, Asha P. Sontakke & Apoorv N. Sontakke.
20. Consent Letter dated October 16, 2006 from Indian Bank for acting as the Monitoring Agency.
21. Monitoring Agency Agreement dated November 3, 2006 between Indian Bank and Blue Bird (India) Limited

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the 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 the Company, certify that all relevant provisions of the Companies Act and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Nitin P. Sontakke	**Harbhagwan S. Arora**
Vidya N. Sontakke	**Apoorv N. Sontakke**
Satish D. Bhagwat	**David P. Kunder**
Madhusudan S. Vaidya	**Brigadier HSN Sastry (Retd.)**
Dr. Vikas Govind Pai	**Anil C. Agashe**
Girish H. Inamdar	**Dr. Vitthal M. Bachal**

Signed by the Finance Director

Date: November 6, 2006
Place: Pune