



LOVABLE LINGERIE LIMITED

Constituted under the Companies Act, 1956 on September 29, 1987 as a private limited company under the name and style of Hybo Knit Private Limited. Our name was subsequently changed to Lovable Lingerie Private Limited pursuant to a certificate of change of name dated December 20, 1995. Our Company was converted into a public limited company pursuant to the special resolution passed by the members of our Company on February 8, 2010 and fresh certificate of name change consequent upon conversion of our Company from a private limited company to a public limited company issued by the RoC on April 19, 2010. The corporate identification number of our Company is U17110MH1987PLC044835. For further details see the chapter titled “History & Certain Corporate Matters” on page 128 of the Red Herring Prospectus.

Registered Office and Corporate Office: A - 46, Street No. 2, MIDC, Andheri (East), Mumbai – 400 093, Maharashtra, India

Tel: +91 22 2838 3581; **Fax:** +91 22 2838 3582; **Email:** corporate@lovableindia.in; **Website:** www.lovableindia.in

For further details in relation to the changes in our registered office, see the chapter titled “History and Certain Corporate Matters” on page 128 of the Red Herring Prospectus.

Company Secretary: Mrs. Megha Maheshwari **Compliance Officer:** Mr. Sunil Shukla

PROMOTER OF OUR COMPANY: MR. L. VINAY REDDY

PUBLIC ISSUE OF 45,50,000 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH OF LOVABLE LINGERIE LIMITED (“THE COMPANY” OR “THE ISSUER”) FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) AGGREGATING ₹ [●] (THE “ISSUE”). THE ISSUE WOULD CONSTITUTE 27.08% OF THE POST ISSUE PAID-UP CAPITAL OF THE ISSUER

THE FACE VALUE OF EQUITY SHARES IS ₹ 10 EACH

THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND WILL BE ADVERTISED ATLEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional Working Days after revision of the Price Band, subject to the Bidding/ Issue Period not exceeding ten (10) Working Days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to 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 website of the Book Running Lead Manager (“BRLM”) and at the terminals of the other members of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (“QIB”) Bidders. 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, 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. Potential investors, other than Anchor Investors, may participate in the Issue through an Application Supported by Blocked Amount (“ASBA”) process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks (“SCSBs”) for the same. For further details please see the chapter titled “Issue Procedure” on page 271 of the Red Herring Prospectus.

IPO GRADING

This Issue has been graded by Credit Analysis & Research Limited (“CARE”) and has been assigned IPO Grade 3, indicating average fundamentals. The rationale furnished by the grading agency for its grading, will be updated at the time of filing of the Red Herring Prospectus with the RoC. For further details on IPO Grading, please refer to the chapter titled “General information” on page 47 of the Red Herring Prospectus.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. **The Face Value of the Equity Shares is ₹ 10/- and the Floor Price is [●] times of the Face Value.** The Price band (as determined by our Company in consultation with the Book Running Lead Manager (“BRLM”) on the basis of assessment of market demand for the Equity Shares by the way of Book Building) 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 our Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK



Investment in equity and equity related securities involves a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares offered in 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 the Red Herring Prospectus. **Specific attention of the investors is invited to the chapter titled “Risk Factors” on page 11 of the Red Herring Prospectus.**

ISSUERS ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable inquiries, accepts responsibility for, and confirms that the Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of this Issue; that the information contained in the Red Herring Prospectus is true and correct in all material respects 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the BSE and the NSE. Our Company has received in-principle approvals of the Stock Exchanges from the BSE and NSE, for the listing of the Equity Shares pursuant to letters dated December 02, 2010 and February 04, 2011, respectively. For the purpose of this Issue, the Designated Stock Exchange is Bombay Stock Exchange Limited.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 ANAND RATHI ADVISORS LIMITED 11 th Floor, Times Tower, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India Tel: +91 22 4047 7000 Fax: +91 22 4047 7070 Email: lovable.ipo@rathi.com Investor Grievance Email: grievance.ecm@rathi.com Website: www.rathi.com SEBI Registration No.: MB / INM000010478 Contact Person: Mr. Jitendra Verma / Mr. Ankoor Choudharri	 LINK INTIME INDIA PRIVATE LIMITED C- 13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078, Maharashtra, India Tel: +91 22 2596 0320 Fax: +91 22 2596 0329 Website: www.linkintime.co.in Email: lovable.ipo@linkintime.co.in SEBI Registration No: INR000004058 Contact Person: Mr. Sanjog Sud

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON: MARCH 08, 2011 ¹	BID/ISSUE CLOSURES ON	FOR QIB BIDDERS: MARCH 10, 2011 ² FOR RETAIL AND NON INSTITUTIONAL BIDDERS: MARCH 11, 2011
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¹ Our Company may consider participation by Anchor Investors. The Anchor Investor Bid/Issue Period shall be one day prior to the Bid/Issue Opening Date.

² The QIB book will close one day prior to the Bid/ Issue Closing Date

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith.

Term	Description
“Lovable Lingerie Limited”, “We”, “us”, “our”, “the Company” or “our Company”	Unless the context otherwise indicates or implies, refers to Lovable Lingerie Limited, a company registered under the Companies Act, 1956 and having its registered office at A - 46, Street No. 2, MIDC, Andheri (East), Mumbai – 400 093, Maharashtra, India.
Group Entities	Companies, firms, ventures promoted by the Promoter, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act or not.
Promoter	Mr. L. Vinay Reddy
Promoter Group	Unless the context otherwise requires, refers to such persons and entities which constitute the Promoter Group of our Company and a list of which is provided in the chapter titled “ <i>Our Promoter Group</i> ” on page 158 of the Red Herring Prospectus.

General Terms

Term	Description
Auditors	The statutory auditors of our Company M/s. Attar & Co
Audit Committee	The committee of the Board of Directors constituted as our Company’s Audit Committee in accordance with Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof
Articles /AoA / Articles of Association	The articles of association of our Company, as amended from time to time.
Director(s)	Director(s) of our Company, unless otherwise specified
Issue Committee	The committee of the Board of Directors constituted as our Company’s issue committee.
KMP	Key Managerial Personnel
Listing Agreement	Listing agreement to be entered into between our Company and the Stock Exchanges
Memorandum/ Memorandum of Association	The memorandum of association of our Company, as amended from time to time.
Preference Shares	11% cumulative redeemable preference shares of the face value of ₹ 100 each of our Company which were redeemed on February 28, 2008.
Registered Office	The registered office of our Company being A - 46, Street No. 2, MIDC, Andheri (East), Mumbai – 400 093, Maharashtra, India.
Remuneration Committee	The committee of the Board of Directors constituted as our Company’s Remuneration Committee in accordance with Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.
Shareholders’ / Investor Grievance Committee	The committee of the Board of Directors constituted as our Company’s Shareholders’ / Investor Grievance Committee in accordance with Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Issue Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date.
Allotment/ Allot	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue
Allottee	A successful Bidder to whom the Equity Shares are Allotted.
Anand Rathi / ARAL	Anand Rathi Advisors Limited, a company incorporated under the Companies Act, 1956 and having its corporate office at 11th Floor, Times Tower, Kamala Mills, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, Maharashtra, India
Anchor Investor	A QIB, applying under the Anchor Investor Portion with a minimum Bid of ₹ 1,000 lacs.
Anchor Investor Allocation Notice	Notice or intimation of allocation of Equity Shares sent to Anchor Investors who have been allocated Equity Shares at the Anchor Investor Issue Price
Anchor Investor Bid/Issue Period	The date, being the date one day prior to the Bid/Issue Opening Date, on which the Syndicate shall accept Bids from Anchor Investors.
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price.
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by our Company to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic mutual funds, subject to valid Bids being received from domestic mutual funds at or above the price at which allocation is being done to Anchor Investors.
Application Supported by Blocked Amount/ ASBA	An application, whether physical or electronic, used by a Resident Retail Individual Bidder or QIB to make a Bid authorising a SCSB to block the Bid Amount in their specified bank account maintained with the SCSB.
ASBA Account	An account maintained by the ASBA Bidder with the SCSB and specified in the ASBA Bid cum Application Form for blocking an amount mentioned in the ASBA Bid cum Application Form.
ASBA Bidder	Any Resident Retail Individual Bidder or QIB who intends to apply through ASBA and (a) is bidding at Cut-off Price, with single option as to the number of shares; (b) is applying through blocking of funds in a bank account with the SCSB; (c) has agreed not to revise his/her bid; and (d) is not bidding under any of the reserved categories.
ASBA Bid cum Application Form or ASBA Form	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus.
ASBA Public Issue Account	A bank account of our Company, under section 73 of the Act where the funds shall be transferred by the SCSBs from the bank accounts of the ASBA Bidders.
Banker(s) to the Issue/ 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, in this case being HDFC Bank Limited, IndusInd Bank Limited and Axis Bank Limited.
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in “ Issue Procedure – Basis of Allotment ” on page 295 of the Red Herring Prospectus.
Bid	An indication to make an offer during the Bidding Period (including, in the case of Anchor Investors, the Anchor Investor Bid/Issue Period) by a Bidder pursuant to submission of a Bid cum Application Form to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto. For the purposes of ASBA Bidders, it means an indication to make an offer during the Bidding Period by a Retail Resident Individual Bidder or QIB to

Term	Description
	subscribe to the Equity Shares of our Company at Cut-off Price.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and which is payable by the Bidder on submission of the Bid in the Issue.
Bid / Issue Closing Date	Except in relation to Anchor Investors, the date, being March 11, 2011, after which the Syndicate and SCSB will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a regional newspaper, each with wide circulation. In case of QIBs, the Bid/ Issue will close one day prior to the Bid/ Issue Closing Date.
Bid / Issue Opening Date	Except in relation to Anchor Investors, the date, being March 08, 2011, on which the Syndicate and SCSB shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a regional newspaper, each with wide circulation.
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus.
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 (excluding Anchor Investors) can submit their Bids, including any revisions thereof.
Book Building Process/ Method	Book building process as provided in Schedule XI of the SEBI (ICDR) Regulations, in terms of which this Issue is being made.
BRLM / Book Running Lead Manager	Anand Rathi.
CAN / Confirmation of Allocation Note	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 finalised and above which no Bids will be accepted.
Controlling Branches	Such branches of the SCSB which coordinate with the BRLM, the Registrar to the Issue and the Stock Exchanges.
Cut-off Price	Issue Price, finalised by our Company in consultation with the BRLM.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account and the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the Public Issue Account, as the case may be, after the Prospectus is filed with the Designated Stock Exchange, following which the Board of Directors shall Allot Equity Shares to successful Bidders
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on http://www.sebi.gov.in
Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the ASBA Public Issue Account, as the case may be, after the Prospectus is filed with the Designated Stock Exchange, following which the Board of Directors shall Allot Equity Shares to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus or DRHP	The Draft Red Herring Prospectus filed with SEBI, which does not contain complete particulars of the price at which the Equity Shares are issued and the size (in terms of amount) of the Issue.
Eligible NRI	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares Allotted herein.
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (including Anchor Investor and excluding the ASBA Bidders)

Term	Description
Escrow Agreement	will issue cheques or drafts in respect of the Bid Amount when submitting a Bid. The agreement dated February 21, 2011 entered into by our Company, the Registrar to the Issue, the BRLM, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof.
Equity Shares	Equity shares of our Company of the face value of ₹ 10 each, unless otherwise specified in the context thereof.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form.
Floor Price	The lower end of the Price Band, at or above which the Issue Price will be finalised and below which no Bids will be accepted.
Issue	Public issue of 45,50,000 Equity Shares of ₹ 10 each of Lovable Lingerie Limited for cash at a price of ₹ [●] per Equity Share (including a share premium of ₹ [●] per Equity Share) aggregating up to ₹ [●] lacs.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date.
Issue Proceeds	The proceeds of the Issue that is available to our Company.
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion) or 1,13,750 Equity Shares (assuming the QIB Portion is for 50% of the Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion (excluding the Anchor Investor Portion).
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Net Proceeds	The Issue Proceeds less the Issue expenses. For further information about use of the Issue Proceeds and the Issue expenses see “ <i>Objects of the Issue</i> ” on page 66 of the Red Herring Prospectus.
Net QIB Portion	The QIB Portion excluding the Anchor Investor 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 ₹ 2,00,000 (but not including NRIs other than eligible NRIs).
Non-Institutional Portion	The portion of the Issue up to 6,82,500 Equity Shares of ₹ 10 each available for allocation to Non-Institutional Bidders.
Non-Resident	A person resident outside India, as defined under FEMA and includes a non-resident Indian.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders or Anchor Investors, as applicable.
Pre-IPO Placement	The preferential allotment made by our Company after filing of the Draft Red Herring Prospectus with the Securities and Exchange Board of India on November 15, 2010, of 10,00,000 Equity Shares to SCI Growth Investments II on February 12, 2011, for consideration in cash aggregating to ₹ 2,000 lacs.
Price Band	Price band of a minimum price (floor of the price band) of ₹ [●] and the maximum price (cap of the price band) of ₹ [●] and includes revisions thereof. The price band will be decided by our Company in consultation with the Book Running Lead Manager and advertised in the English language, in the Hindi language and in the regional language at least two Working Days prior to the Bid/Issue Opening Date.
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price.
Prospectus	The Prospectus to be filed with the RoC in terms of section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the

Term		Description
		Escrow Account on the Designated Date.
QIB Portion		The portion of the Issue being not less than 22,75,000 Equity Shares of ₹ 10 each to be Allotted to QIBs including the Anchor Investor Portion.
Qualified Institutional Buyers or QIBs		Public financial institutions as specified in section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of ₹ 2,500 lacs, pension fund with minimum corpus of ₹ 2,500 lacs, National Investment Fund set up by Government of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India.
Refund Account		The account opened with Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to the ASBA Bidders) shall be made.
Refund Banker		HDFC Bank Limited
Refunds through electronic transfer of funds		Refunds through electronic transfer of funds means refunds through NECS, direct credit, RTGS or the ASBA process as applicable.
Registrar to the Issue / Registrar		Registrar to the Issue, in this case being Link Intime India Private Limited.
Retail Individual Bidder(s)		Individual Bidders (including HUFs applying through their Karta and eligible NRIs) who have not Bid for Equity Shares for an amount more than ₹ 2,00,000 (net of Retail Discount) in any of the bidding options in the Issue.
Retail Portion		The portion of the Issue up to 15,92,500 Equity Shares of ₹ 10 each available for allocation to Retail Individual Bidder(s).
Revision Form		The form used by the Bidders, excluding ASBA 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 issued in accordance with section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three (3) days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date.
SCSB Agreement		The agreement to be entered into between the SCSBs, the BRLM, the Registrar to the Issue and our Company only in relation to the collection of Bids from the ASBA Bidders.
Self Certified Syndicate Bank or SCSB		The Banks which are registered with SEBI under SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in
Stock Exchanges		BSE and NSE.
Syndicate		The BRLM and the Syndicate Members.
Syndicate Agreement		The agreement dated February 17, 2011 entered into between the Syndicate and our Company in relation to the collection of Bids in this Issue (excluding Bids from the ASBA Bidders)
Syndicate Members		Intermediaries registered with SEBI and eligible to act as underwriters in this case being Anand Rathi Advisors Limited.
TRS / Transaction Registration Slip		The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid.
Underwriters		The BRLM and the Syndicate Members
Underwriting Agreement		The agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.

Term	Description
Working Day	All days other than a Sunday or a public holiday (except during the Bid/Issue Period where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business.

Technical/Industry Related Terms

Term	Description
CAD Machines	Computer Aided Designing Machines
EBO	Exclusive Brand Outlets
LFS	Large Format Stores
LWTC	Lovable World Trading Company, USA
MBO	Multi Brand Lingerie Outlets

Abbreviations

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956 and amendments made from time to time
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BESCOM	Bangalore Electricity Supply Company
BSE	Bombay Stock Exchange Limited
BV	Book Value
CAGR	Compounded Annual Growth Rate
CARE	Credit Analysis & Research Limited
CDSL	Central Depository Services (India) Limited
CESTAT	Central Excise and Service Tax Appellate Tribunal
CST Act	Central Sales Tax Act, 1956
CY	Calendar Year
Depositories	National Securities Depository Limited and Central Depository Services (India) Limited
Depositories Act	The Depositories Act, 1996 as amended from time to time
DER	Debt Equity Ratio
DG	Diesel Generator
DIN	Director Identification Number
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
DP ID	Depository Participant's Identity.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPF Act	Employees' Provident Fund & Miscellaneous Provisions Act, 1952
EPFO	Employees' Provident Fund Organisation
ESI Act	Employees' State Insurance Act, 1948
ESIC	Employees' State Insurance Corporation
EPS	Unless otherwise specified, Earnings Per Share, i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares during that fiscal year
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment

Term	Description
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations and circulars there under and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
Financial Year/ Fiscal/fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
FMCG	Fast Moving Consumer Goods
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
Government	Government of India, GoI, or Central Government
HNI	High Net worth Individual
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
Income Tax Act / IT Act	The Income Tax Act, 1961, as amended from time to time
ICAI	The Institute of Chartered Accountants of India
ICSI	The Institute of Company Secretaries of India
ICWAI	The Institute of Cost and Works Accountants of India
IT	Information Technology
IT Department	Income Tax Department
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
JV	Joint Venture
KVA	Kilo Volt Ampere
MoU	Memorandum of Understanding
MSME	Micro Small and Medium Enterprises
MSE	Micro Small Enterprises
M/s.	Messrs.
N.A.	Not Applicable
NAV	Net Asset Value
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non Resident
NRE Account	Non Resident External Account
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
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of up to 60% by NRIs including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general

Term	Description
	permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
PAT	Profit After Tax
PBT	Profit Before Tax
PIO	Persons of Indian Origin
RBI	The Reserve Bank of India
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended
RoC	Registrar of Companies, Mumbai
RONW	Return on Net Worth
₹	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
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 Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.
SEBI (ICDR) Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
Securities Act	US Securities Act, 1933, as amended
SIA	Secretariat for Industrial Assistance
SME	Small and Medium Enterprise
Sq ft	Square Feet
State Government	The government of a state of India
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
TAN	Tax Deduction Account Number
TIN	Tax Payer Identification Number
UAE	United Arab Emirates
UIN	Unique Identification Number
UK	United Kingdom
U.S. / USA / US	United States of America
US GAAP	Generally Accepted Accounting Principles in the United States of America
USD/ US\$ / US Dollars	United States Dollar
VAT	Value Added Tax
VCFs	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from our restated financial statements, prepared in accordance with Indian GAAP and the SEBI (ICDR) Regulations, which are included in the Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year.

All references to a particular fiscal year, unless otherwise indicated, are to the 12 month period ended March 31 of that year.

All numbers in the Red Herring Prospectus have been represented in Lacs or in whole numbers, where the numbers have been too small to present in Lacs.

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

Any percentage amounts, as set forth in “*Risk Factors*”, “*Business*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and elsewhere in the Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our restated financial statements prepared in accordance with Indian GAAP.

Currency of Presentation

All references to “**Rupees**” or “**Rs.**” or “**₹**” are to Indian Rupees, the official currency of the Republic of India. All references to “**US\$**”, “**USD**” or “**US Dollars**” are to United States Dollars, the official currency of the United States of America.

The Red Herring Prospectus contains translations of certain US Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of the SEBI (ICDR) Regulations. These translations should not be construed as a representation that those US Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate.

Industry and Market Data

The industry data used throughout the Red Herring Prospectus has been obtained from the report titled “*Indian Lingerie Industry*” prepared by CARE Research in relation to the Issue, unless otherwise specified.

Disclaimer clause of Credit Analysis & Research Limited (“CARE”) for the Industry section:

The report is prepared by CARE Research, a division of CARE. CARE Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Research operates independently of ratings division and this report does not contain any confidential information obtained by ratings division, which they may have obtained in the regular course of operations. The opinion expressed in this report cannot be compared to the rating assigned to the company within this industry by the ratings division. The opinion expressed is also not a recommendation to buy, sell or hold an instrument.

CARE Research is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product.

FORWARD-LOOKING STATEMENTS

The 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”, “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 statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Volatility in interest rates and other market conditions;
- Our ability to restrict the losses on large customers;
- Disruption at our manufacturing facilities;
- Disruption in our raw material supply;
- Competition from existing or new entrants in the Indian innerwear industry;
- Growth of unorganized sector and threat from national/regional players;
- Company’s ability to implement its growth strategy;
- Conditions in the Indian securities market affecting the price or liquidity of Equity Shares;
- Restrictions on daily movements in the price of the Equity Shares that may affect the price/ability to sell such shares;
- Taxes payable in India on income arising from capital gains;
- Changes in buying habits and consumption pattern;
- Changes in prices of raw materials;
- Dilution of holdings by additional issuances of equity;
- Significant change in the Government’s economic liberalization and deregulation policies;
- Financial difficulty and other problems in certain financial institutions in India;
- Change in laws and regulation relating to the industry we operate in;
- Other significant regulatory or economic developments in or affecting India or its innerwear industry

For further discussion of factors that could cause our actual results to differ from our expectations, see “**Risk Factors**”, “**Our Business**” and “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” on pages 11, 102 and 208, respectively of the Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Forward-looking statements reflect the current views as of the date of the Red Herring Prospectus and are not a guarantee of future performance. Neither our Company, its Directors, nor the Underwriters or any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof. 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 the Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. These risks and uncertainties are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our business, results of operations and financial condition. If any of the following risks, or other risks that are not currently known or are deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of Equity Shares could decline, and you may lose all or part of your investment.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue, including merits and risks involved.

*The Red Herring Prospectus also contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of certain factors, including considerations described below and in the chapter titled “**Forward looking Statements**” on page 10 of the Red Herring Prospectus.*

*To obtain a better understanding of our business, you should read this chapter in conjunction with other chapters of the Red Herring Prospectus, including the chapters entitled “**Our Business**”, “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” and “**Auditors Report and Financial Information**” on pages 102, 208 and 161, respectively of the Red Herring Prospectus, together with all other financial information contained in the Red Herring Prospectus. Unless otherwise stated, the financial data in this chapter is derived from our audited restated financial statements prepared in accordance with Indian GAAP and restated in accordance with the SEBI (ICDR) Regulations.*

Materiality

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

1. Some risks may not be material individually but may be material when considered collectively.
2. Some risks may have an impact which is qualitative though not quantitative.
3. Some risks may not be material at present but may have a material impact in the future.

Internal Risk Factors

1. ***There are 19 outstanding legal proceedings aggregating to ₹ 253.95 lacs against our Company, Promoter and Group Entities, which if decided against us could have material adverse effect on our business, financial condition and results of operations.***

There are outstanding legal proceedings against our Company, Promoter and Group Entities. These proceedings are pending at different levels of adjudication before various courts, enquiry officers, and arbitrators. An adverse outcome in these proceedings could have a material adverse effect on our business, prospects, financial condition and results of operations. Brief details of such outstanding litigation as of the date of the Red Herring Prospectus are as follows:

S. No.	Nature of cases	No. of outstanding cases	Amount involved (₹ In Lacs)
Against our Company			

S. No.	Nature of cases	No. of outstanding cases	Amount involved (₹ In Lacs)
1	Customs litigation	1	47.2
Against the Group Entites			
2	Arbitration proceedings against Federal Brands Limited	2	30.15
3	Tax litigations against Federal Brands Limited	4	104.87
4	Various legal notices received by Federal Brands which may or may not result into litigation at a later stage	12	71.73
Against the Promoter			
5	<i>nil</i>	<i>nil</i>	<i>nil</i>
Against the Directors			
6	<i>nil</i>	<i>nil</i>	<i>nil</i>

For further details of outstanding litigation against our Company, our Promoter, Group Entities and our Directors, please see the chapter entitled “*Outstanding Litigations and Other Material Developments*” on page 228 of the Red Herring Prospectus.

2. ***Our Company is dependent on third party transportation providers for the supply of raw materials and delivery of our products and any disruption in their operations or a decrease in the quality of their services could affect our Company's reputation and results of operations***

Our Company uses third party transportation providers for the supply of most of our raw materials and delivery of our products to our domestic customers. Our third party transportation costs for the supply of raw materials and delivery of products amounted to ₹ 167.98 lacs, ₹ 200.98 lacs, ₹ 167.63 lacs, and ₹ 137.48 lacs for the period ended March 31, 2008, March 31, 2009, March 31, 2010 and for nine months period ended December 31, 2010 respectively.

Though our business has not experienced any disruptions due to transportation strikes in the past, any future transportation strikes may have an adverse affect on the supplies from our suppliers and deliveries to our customers. These transportation facilities may not be adequate to support our existing and future operations. In addition, raw materials and products maybe lost or damaged in transit for various reasons including occurrence of accidents or natural disasters. There may also be delay in delivery of raw materials and products which may also affect our business and results of operation negatively. An increase in the freight costs or unavailability of freight for transportation of our products to our customers may have an adverse effect on our business and results of operations.

Further, disruptions of transportation services due to weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair our ability to supply our products to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

3. ***Under the joint venture agreement dated July 15, 2010 (the “Agreement”), between our Company and Lifestyle Galleries of London Limited (“LGL”), LGL has been granted a right to impose an obligation on our Company to sell its shares in Lovable Lifestyles Private Limited (the “JV Company”) if LGL transfers its shares to a third party (the “Drag-Along Right”), which may materially and adversely affect the results of our operations***

As stated in the chapter titled “*Objects of the Issue*”, our Company is proposing to infuse ₹ 2,500 lacs as equity capital in the JV Company. Pursuant to the Agreement, our Company has agreed to grant LGL a Drag-Along Right as a measure of protection of interest of the minority holder in the JV Company. In the event LGL decides to transfer its shares in the JV Company to a third party, LGL has a right to impose an obligation on our Company to sell its shares in the JV Company as well. In such a case we may be

compelled to sell our shares at a valuation lower than what we believe is the true value of the shares which may materially and adversely affect the results of our operations. For further details please see the chapter titled “*History and Certain Corporate Matters*” on page 128 of the Red Herring Prospectus.

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

Our Company has been dealing with some of our customers for several years, we do not have any long-term agreements with its majority of our customers. As a result, our customers can terminate their relationships with us due to a change in vendor preference or any other reason upon relatively short notice, which could materially and adversely impact our business. Consequently, our revenue may be subject to variability because of fluctuations in demand for our products. Our Company's customers have no obligation to place order with us and may either cancel, reduce or delay orders. The orders placed by our Company's customers are dependent on factors such as the customer satisfaction with the level of service that our Company provides, fluctuation in demand for our Company's products, customer's inventory management, amongst others.

Although, we have a strong emphasis on quality, timely delivery of our products and after sales service such as feedback on the trends in their market, personal interaction by the top management with the customers, any change in the buying pattern of buyers can adversely affect the business of our Company. Further, in absence of such contracts there will always be uncertainty.

5. *Our Company has applied for certain statutory and regulatory approvals, registrations and licenses which are still pending with the relevant governmental or regulatory authorities. Further, our inability to renew or maintain our statutory and regulatory permits and approvals required to operate our business would adversely affect our operations and profitability.*

The following applications are currently pending before relevant authorities for our manufacturing units:

- Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981, for our Lovable Division at Bengaluru;
- Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981, for our Daisy Dee Division at Bengaluru; and
- Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981, for our Lovable Division (earlier operating as Vanity Fair division) at Bengaluru.

Our Company may from time to time be required to obtain and maintain various statutory and regulatory permits and approvals to operate our business. In the future, our Company will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. Whilst our Company believes that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. For further details please see the chapter titled “*Government Approvals*” on page 244 of the Red Herring Prospectus.

One of the objects of the Issue of our Company is expansion of its manufacturing facilities at Bengaluru. Our Company might be required to obtain such approvals as may be necessary for the expansion of its manufacturing facilities like approvals under various labour and industrial laws etc. Our Company would apply and obtain the requisite approvals, as and when it may be deemed necessary by it, at various stages of the expansion process of the facilities. For further details on the proposed expansion of our manufacturing

facilities at Bengaluru, please refer to the chapter titled “*Objects of the Issue*” on page 66 of the Red Herring Prospectus.

6. *Our Company has recently applied for registration of certain trademarks in its name. Until such registrations are granted, we may not be able to prevent unauthorized use of such trademarks by third parties which may lead to the dilution of our goodwill.*

We have filed applications for registration of fourteen (14) trademarks under class 25 under the Trade Marks Act, 1999, which are currently pending approval from the Registrar of Trademarks. The registration of any trademark is a time consuming process, and there can be no assurance that any such registration will be granted. Our applications for the registration of these trademarks may be opposed by third parties, and we may have to incur significant cost in relation to these oppositions. In the event we are not able to obtain registrations or if any injunctive or other adverse order is issued against us in respect of any of our trademarks for which we have applied for registration, we may not be able to avail the legal protection and legal remedies (in case of infringement) or prohibit unauthorised use of such trademarks by third parties by means of statutory protection, available as a proprietor of registered trademarks, which may materially and adversely affect our goodwill and business.

In addition to the aforementioned trademarks, our Company also uses certain unregistered trademarks for which no applications for registration have been filed by our Company. It may be difficult for our Company to protect its interests in such unregistered trademarks against infringement by third parties, which may dilute our goodwill and burden us with additional litigation costs.

Further, our Company has also acquired certain trademarks which are still registered in the name of third parties. It may be difficult for our Company to protect its interests in such trademarks against infringement by other parties, which may dilute our goodwill and burden us with additional litigation costs.

For further details on the trademarks pending registration, please refer to the chapter titled “*Government Approvals*” chapter on page 244 of the Red Herring Prospectus.

7. *Fluctuations in the availability and quality of raw materials could cause delay and increase costs.*

The availability of raw materials such as cotton fabrics may fluctuate significantly, depending on many factors, including crop yields and weather patterns. Any material shortage or interruption in the supply or decrease in the quality of raw materials due to natural causes or other factors could result in increased production costs that we may not be able to pass on to our customers, which in turn would have a material adverse effect on our margins and results of operations.

Further, our suppliers of fabrics and other raw materials may allocate their resources to service other clients ahead of us. While we believe that we could find additional vendors to produce these fabrics and other raw materials, any failure of our suppliers to deliver these fabrics and raw materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect our production processes and our ability to deliver orders on time and at the desired level of quality. As a result, we may lose a customer or incur contractual penalties or liabilities for failure to perform contracts, which could have a material adverse effect on our business, financial condition and results of operations.

8. *Raw materials constitute a significant percentage of our Company’s total expenses. Particularly, any increase in fabric, lace and elastic prices and any decrease in the supply of fabric, lace and elastic would materially adversely affect our Company’s business*

Raw materials constitute a significant percentage of the total expenses of our Company. The primary raw materials used by our Company are fabric, lace and elastic. The cost of fabrics, lace and elastic accounted for 32.10%, 27.53%, 35.27% and 36.75% of total expenditure in each of the Financial Years 2008, 2009 and 2010 and for the nine months period ended December 31, 2010, respectively. Currently, our Company purchases fabric for our women’s innerwear units from domestic and international market, lace is

purchased directly from the international markets and elastics are purchase directly from domestic markets. Any increase in fabric, lace and elastic prices, which our Company is unable to pass on the impact of, would have a material adverse effect on our Company's business. Any material shortage or interruption in the domestic and international supply or decrease in the quality of fabric, lace and elastic due to natural causes or other factors could result in increased production costs that our Company may not successfully be able to pass on to customers, which in turn would have a material adverse effect on our Company's business.

9. *Our business and profitability will suffer if we fail to anticipate and develop new products and enhance existing products in order to keep pace with rapid changes in customer preferences and the industry on which we focus.*

The innerwear business is characterized by constant product innovation due to changing consumer preferences, evolving fashion trends, rapid technological change, evolving industry standards and new service introductions. To compete successfully in the industry, we must be able to identify and respond to changing consumer demands and tastes, as well as operate within substantial production and delivery constraints. Changes in product mix impacts our operating results and our margins. We cannot assure you that our designs will always gain buyer acceptance and we will always be able to achieve internationally competitive design capabilities to meet customer expectations. In addition, we must be able to retain and continue to attract a talented design team and we may not be successful in our efforts. Failure to identify and respond to changes in consumer preferences could, among other things, limit our ability to differentiate our products, adversely affect consumer acceptance of our products, and lower sales and gross margins. Further, products, that are developed by our competitors may render our offerings non-competitive or force us to reduce prices, thereby adversely affecting our margins. Any of these factors could have a material adverse effect on our business and results of operations.

10. *Our Company's trademark "Lovable" indicates the words "New York", "Milan" and "Tokyo" although we do not have operations in these cities.*

Lovable World Trading Company, a corporation organised under the laws of the State of New York, USA ("LWTC"), pursuant to an agreement dated December 23, 2000 with the Company, had assigned the trademark "Lovable" to our Company for use in the geographic areas of India, Nepal, Bhutan and Sikkim. The said trademark appears in the following manner:



Since Lovable is an international brand having international presence, therefore, the "Lovable" trademark as assigned to our Company pursuant to the aforesaid agreement bears the words New York, Milan and Tokyo. Even though the trademark "Lovable" indicates the words "New York", "Milan" and "Tokyo", our Company does not have operations in these cities.

11. *We are a labour intensive industry and hence may face labour disruptions and other planned and unplanned outages that would interfere with our operations.*

Our Company's activities are labour intensive. Strikes and other labour action may have an adverse impact on our operations, though we have not experienced any such labour disruption in the past. We cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future. Also, the third-party suppliers of raw materials or innerwear products, including in jurisdictions outside India, which we use may experience strikes or other industrial action. Any such event could disrupt our operations, possibly for a significant period of time, result in increased wages and other costs and otherwise have a material adverse effect on our business, results of operations or financial condition. For further details, see the chapter "**Our Business - Employees**" on page 116 of the Red Herring Prospectus.

In addition, work stoppages, refurbishments, installation of new plants, accidents or sustained bad weather at our operations could result in production losses and delays in delivery of our products, which may adversely affect our operations and profitability. Production may also fall below historic or estimated levels as a result of unplanned outages.

12. ***Except for the object of expansion of manufacturing facility at Bengaluru, none of the Objects of the Issue for which funds are being raised have been appraised by any bank or financial institution. Any variation between the estimation and actual expenditure could result in execution delays or influence our profitability adversely.***

The deployment of funds as stated in the chapter titled “***Objects of the Issue***” on page 66 of the Red Herring Prospectus is entirely at the discretion of our management and has not been appraised by any independent agency, except for an appraisal report provided by Bank of Baroda for the expansion of manufacturing facilities at Bengaluru. Except as disclosed in chapter titled “***Objects of the Issue***”, the purposes for which the Net Proceeds are to be utilised have not been appraised by an independent entity and are based on our estimates and on third-party quotations.

13. ***If our Company is unable to continue being creative in our designs in relation to our innerwear products, we may not get business and our sales could be affected.***

Our Company is in the business of designing, manufacturing and distributing innerwear in domestic markets. Creativity is one of the key attributes for success in this industry. For our Company to remain competitive in respect of appealing designs, shapes and colour combinations, the designers of our Company have to keep themselves abreast with the latest global trends and also understand the design requirements of the customers. To keep up with the competition in this industry, our designers and products explore global markets from time to time to adapt and incorporate changes in our product mix. Our Company intends to upgrade its existing design studio with latest software and equipments and to strengthen its team of designers, which is one of the objects of the Issue, to keep up with its customer’s taste and fashion forecasts. Any inability on our Company’s part to understand the prevailing global trends or our inability to forecast changes at per latest global trends or understand the needs of our customers in this industry well in time may affect our growth prospects.

14. ***Conflicts of interest may arise out of common business objects shared by our Company and certain of our Promoter Group entities.***

Our Promoter has interests in other companies and entities that may compete with us, including other entities in our Promoter Group that conduct businesses with operations that are similar to ours within the innerwear industry. Although most of the companies forming part of the Promoter Group have not still commenced operations, we may still compete with these entities for business in the near future. As a result, conflicts of interest may arise in allocating or addressing business opportunities and strategies amongst our Company and other entities in our Promoter Group in circumstances where our interests differ from theirs. There can be no assurance that such other entities in our Promoter Group will not compete with our existing business or any future business that we may undertake, or that their interests will not conflict with ours.

In addition, some of our Directors are also directors on the boards of our Promoter Group companies or other companies engaged in or likely to engage in, or whose memorandum of association enable them to engage in, the same line of business as our Company. These overlapping directorships could create conflicts of interest between us and the Promoter group companies or other entities.

Further our Company has entered into a non-compete agreement dated November 2, 2010 (the “**Agreement**”), with Reddy and Pathare Elastics Private Limited, Bellini Fashions Private Limited, La Reine Fashions Private Limited, Federal Brands Limited, Vinay Hosiery Private Limited and Strategy Games Private Limited (hereinafter collectively referred to as the “**Group Companies**” and individually referred to as the “**Group Company**”), wherein the Group Companies have agreed to not to carry on any business of our Company. The Agreement however does not apply to production, distribution, supply and/or retail of men’s innerwear products and outerwear apparel products which our Company intends to

foray into. There can be no assurance that the Group Companies will not compete with us in the future for any such businesses that may have conflicting interests with our business.

15. *Our Company depends on the knowledge and experience of our Promoter and other key managerial personnel for our growth and profitability. The loss of their services may have a material adverse effect on our business, financial condition and results of operations.*

Our Company depends on the management skills and guidance of our Promoter, Mr. L. Vinay Reddy for managing its current operations, development of business strategies and monitoring its successful implementation, and meeting future challenges. Our key management personnel perform a crucial role in conducting our day to day operations and execution of our strategies. An increase in the rate of attrition for our experienced employees, may adversely affect our growth strategy. The following table sets out the details of attrition of our employees for the period ended March 31, 2008, March 31, 2009, March 31, 2010 and January 31, 2011:

Employee category	March 31, 2008	March 31, 2009	March 31, 2010	January 31, 2011
Managerial	-	1	-	1
Subordinates / Staff	21	48	45	28
Total	21	49	45	29

Although we appraise the remuneration of our key management personnel and other employees from time to time and provide them benefits such as medical insurance, pension etc., we cannot assure you that we would be able to succeed in recruiting additional personnel or retaining current personnel, as the market for qualified professionals is extremely competitive. The loss of the services of such personnel, or our Promoter and our inability to hire and retain additional qualified personnel may have an adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of personnel with the requisite skills or to replace those personnel who leave.

Further, if our key management personnel join competitors or form competing companies, our ability to source appropriate business opportunities may be impaired, which may result in loss of significant business opportunities or adversely affect assets we already have acquired.

16. *Our lenders have imposed certain restrictive conditions on us under our financing arrangements.*

Under our financing arrangements, we are required to obtain the prior, written lender consent for, among other matters, changes in our capital structure, formulate a scheme of amalgamation or reconstruction and entering into any other borrowing arrangement. Further, we are required to maintain certain financial ratios. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are necessary to operate and grow our business. Our level of existing debt and any new debt that we incur in the future has important consequences. Any failure to comply with these requirements or other conditions or covenants under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may require us to repay the borrowing in whole or part and may include other related costs. Our Company may be forced to sell some or all of its assets or limit our operations. This may adversely affect our ability to conduct our business and impair our future growth plans. For further information, see the chapter titled “**Financial Indebtedness**” on page 223 of the Red Herring Prospectus.

17. ***Expenditure we may incur for the marketing and promotion of our proposed women's innerwear products may not result in the success of such products.***

Our Company intends to utilize ₹ 2,400 lacs for brand building exercise in respect of our proposed new range of women's innerwear products. We are likely to incur significant expenditures for the marketing and promotion of such proposed women's innerwear. As is the case with the women's innerwear industry, any new line / styles of a product may not be accepted by their target customers. In the event any of the new women's innerwear products launched by our Company are unsuccessful, our Company intends to utilise the proceeds of the Issue for brand building to launch different lines / styles of new women's innerwear products which may be accepted by our target customers. However, we cannot assure you that such lines / styles of the new women's innerwear products will be successfully launched and accepted by our target customers.

18. ***Our Company may not be able to generate revenues immediately from the new innerwear products for women that we propose to launch to fully cover our marketing and branding expenses incurred on the launch of such products.***

Our Company intends to utilize ₹ 2,400 lacs for brand building exercise, which is in the nature of revenue expenditure, in respect of our proposed new range of women's innerwear products. Promoting and positioning our new women's innerwear products and styles will depend largely on the success of our marketing efforts. However, we cannot assure you that such new women's innerwear products will be able to generate revenues immediately for us to fully cover the marketing and branding expenses incurred on the launch such products.

19. ***Our business is dependent on our manufacturing facilities, the majority of which are geographically located in one area. Any loss or shutdown of operations at any of our manufacturing facilities in Bengaluru may have an adverse effect on our business and results of operations.***

Two of our three manufacturing facilities are based in Bengaluru. As a result, if there is any localized social unrest, natural disaster or breakdown of services and utilities in Bengaluru, it may affect our business adversely. Further our manufacturing activities are subject to operating risks, such as breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents etc. We have not experienced any of these operating risks in the past.

Our equipments function independent of one another thereby operational breakdown of some of our equipments does not affect our overall operations significantly. The technology employed by us is not complex. There are adequate external service providers and vendors of such technology in the vicinity of our units thus reducing our dependency on a single source. Further, we have power backup at our units to meet the contingency of any power failure. Our Company's relations with its labourers have been cordial and there have been no incidents of labour unrest in the past. Further, there are committees which are adequately represented by workers and the management to resolve the any labor grievances. Although we have contingency plans to meet most of our operating risks we cannot assure you about the adequacy of such plans will be adequate to meet all of our operating risks.

20. ***The property used by our Company for our registered and corporate office is not owned by us and we have only rights as a licensee over the same. Any adverse impact on the title / ownership rights of the licensor / owner or breach of the terms / non renewal of the license agreement may impede our effective operations and thus adversely affect our profitability.***

The registered office of our Company is located at A-46, Road No. 2, M.I.D.C., Andheri (East), Mumbai – 400 093, which is not owned by our Company and is taken on a license basis and we only have rights as a licensee over the same for a period of 5 years commencing from July 1, 2009 to June 30, 2014. Any adverse impact on the title / ownership rights of the licensor / owner, from whose premises we operate our

registered and corporate office, or breach of the terms / non renewal of the license agreement may impede our effective operations and thus adversely affect our profitability.

21. *Our Company does not own any of its branch office premises and other manufacturing facilities from which it operates.*

Our Company does not own the premises on which our branch offices are situated and operates from leased premises. The lease agreements are renewable at by mutual consent of both parties and upon payment of increased rent as stated in these lease agreements. If the owner of such premises does not renew the agreement under which we occupy the premises or renew such agreement on terms and conditions that are unfavorable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business and operations. For the immoveable properties for our manufacturing facilities, we enter into lease agreements to acquire leasehold rights over the premises from where we operate our manufacturing units. Our Company cannot assure you that it will be able to renew the lease agreement for using the premises on which its branch offices and manufacturing facilities are located on commercially acceptable term, or at all. In the event that our Company is required to vacate these premises, it would be required to make arrangements for new office and other manufacturing facilities, which may have an adverse affect on the costs of operation of our Company.

22. *Our business is seasonal in nature as our quarterly sales are not evenly distributed. Any substantial decrease in our sales during this period can have a material adverse affect on our financial performance.*

The sales of our products are seasonal in nature. This unevenness in seasonal sales is largely due to festivals and the buying cycles of the retailers in which alternate quarters are used for stocking up new collections. Any substantial decrease in our sales in a quarter of the year could have a material adverse affect on our financial condition and results of operations.

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

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

- Identify new opportunities for acquisitions of brands, partnerships or alliances locally and abroad to enhance our presence in the domestic market and/or improve our production efficiency and reduce production costs;
- Successfully integrate any such acquisitions of brands, partnerships or alliances into our existing lines of business and operations; and
- Appropriately develop and take advantage of potential synergies or economies of scale from any such acquisitions of brands, partnerships or alliances.

Our Company cannot assure you that any or all of the aforementioned objectives will be successfully or fully executed and it could have an adverse affect on our operations and profitability. For example, we may not be able to identify acquisitions of brands, partnerships or alliances that meet our strategic criteria and/or acquire them on satisfactory terms.

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

24. *Our growth strategy to expand into new geographic areas exposes us to certain risks.*

Our Company intends to expand its presence both geographically and in terms of number of exclusive distributorships. Fast developing smaller towns are currently under served and give a scope for our brands. We intend to have at least 60 and 70 distributorships in tier II and tier III cities and towns across India respectively. Pursuant to such a growth strategy, it may expose us to risks which may arise due to lack of familiarity with the development, ownership and management of manufacturing business in these regions and towns and the customer preferences in such areas. Our Company may also face challenge in view of our lack of understanding/ economic conditions and culture of these areas. If we are not able to manage the risk of such expansion it could have a material adverse affect on our operations.

25. *Quality concerns and negative publicity if any, would adversely affect the value of our brand, and our sales*

Our business is dependent on the trust our customers have in the quality of our innerwear products as well as on our ability to protect our trademarks and our intellectual property to maintain our brand value. If we fail to adequately protect our intellectual property, competitors may market products similar to ours. Any negative publicity regarding our Company, brands, or products, including those arising from a drop in quality of our products from our vendors, disputes concerning the ownership of intellectual property or any other unforeseen events could adversely affect our reputation our brand value, our operations and our results from operations.

26. *Our inability to procure and/or maintain adequate insurance cover in connection with our business may adversely affect our operations and profitability.*

Our Company's operations are subject to inherent risks in manufacturing and distribution processes, such as defects, malfunctions and failures of manufacturing equipment, fire, strikes, loss-in-transit for our products, accidents and natural disasters. In addition, many of these operating and other risks may cause personal injury, severe damage to or destruction of our properties and may result in suspension of operations and the imposition of civil or criminal penalties. We have insured our stocks, plant and machinery, office equipments, computers, electrical installations and other furniture, fitments and fixtures at our Lovable division and Daisy Dee division at Bengaluru under various standard fire and special perils policy, providing insurance cover against industrial manufacturing risks and earthquakes (fire and shock), for a combined sum of ₹ 1,712.50 lacs. We have also insured our stock of raw materials, finished and semi-finished goods, plant, machinery and accessories, office equipment and electrical installations at our Roorkee manufacturing unit under a standard fire and special perils policy, providing insurance cover against earthquakes (fire and shock), for a sum of ₹ 85.07 lacs. Whilst we believe that we maintain adequate insurance coverage amounts for our units, our insurance policies do not cover all risks and are subject to exclusions and deductibles. If any or all of our production facilities are damaged in whole or in part and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. Further, there is no assurance that the insurance premiums payable by us will be commercially viable or justifiable. Our inability to procure and/or maintain adequate insurance cover in connection with our business could adversely affect our operations and profitability.

Further our Company does not maintain key-man insurance for any of its key personnel and loss of the services of such key personnel may have an adverse effect on our business, financial condition and results of operations.

For more details see "***Our Business - Insurance***" on page 120 of the Red Herring Prospectus.

27. ***Our Company sells its products in competitive markets. Our inability to market our products relative to our competitors may lead to lower market share, and adversely affect our operations and profitability.***

Our Company sells its women's innerwear in highly competitive markets and faces competition from brands like Triumph, Enamor, Amante, Jockey, Juliet, Softline amongst others, however it is not possible to compute the present market share of our Company since the Indian women's innerwear industry is largely an unorganised industry and there are no reliable source / report which carries this data on market share. Further, the competition in these markets is based primarily on demand creation and as a result, to remain competitive in our markets, we must continuously strive to effectively market our products. If our Company is unable to respond effectively to this competitive pressure, our customers may show a preference towards the products of other manufacturers, which would have an adverse affect on our market share and results of operations.

28. ***Our failure to accurately forecast and manage inventory could result in an unexpected shortfall and/or surplus of products, which could harm our business.***

We monitor our inventory levels based on our own projections of future demand. Because of the length of time necessary to produce commercial quantities of our products, we must make production decisions well in advance of sales. An inaccurate forecast of demand for any product can result in the unavailability/surplus of products. This unavailability of products in high demand may depress sales volumes and adversely affect customer relationships. Conversely, an inaccurate forecast can also result in an over-supply of products, which may increase costs, negatively impact cash flow, reduce the quality of inventory, erode margins substantially and ultimately create write-offs of inventory. Any of the aforesaid circumstances could have a material adverse effect on our business, results of operations and financial condition.

29. ***Our Company outsources the manufacturing of some portion of its products under the Daisy Dee brand and is therefore dependent on third parties for production of its innerwear products.***

For our Daisy Dee division, our Company depends partly on third party fabricators for performance of the stitching operations for our innerwear manufacturing process although the final assembling and labeling of our innerwear products is done at our manufacturing units. Our third party fabrication costs were 5.27%, 6.36%, 4.96%, and 6.78%, for Financial Year 2008, 2009, 2010 and nine months period ended December 31, 2010 respectively of our total manufacturing costs. Currently, our Company has arrangements with various fabricators in Bengaluru. Any delay or failure on the part of these fabricators to deliver the products in a timely manner or to meet our quality standards or unilateral termination of relationship by them may cause a material adverse affect on our business.

30. ***Some of our lease agreements may have certain irregularities.***

Some of our lease agreements may have one or more irregularities such as inadequate stamping and/or non registration of deeds and agreements and improper execution of lease deeds. In the event of any such irregularity, we may not be able to enforce our right as a leaseholder over such properties in case of a dispute, which may cause a material and adverse effect on our business.

The lease agreements entered into by our Company with respect to our Kolkata branch office, Chennai branch office and Delhi branch office have neither been stamped nor have they been registered with the relevant local authorities. Further, the license agreement entered into by our Company with respect to our registered office in Mumbai, one of the lease agreement entered into by our Company with respect to the Daisy Dee division and the lease agreement entered into by our Company with respect to the Roorkee manufacturing unit have been inadequately stamped and have not been registered with the relevant local authorities. All the other lease agreements which are registered under the Registration Act have been stamped inadequately.

In the event of any dispute arising out of such unstamped or inadequately stamped and/or unregistered lease agreements, we may not be able to effectively enforce our leasehold rights arising out of such agreements which may have a material and adverse impact on the business of our Company.

31. ***Our Company has limited ability to protect the intellectual property and may be subject to third party claims and if we are unable to protect such intellectual property, our business could be adversely affected.***

Generating and maintaining brand recognition is a significant element of the business strategy of our Company. Our Company has registration of its various trademarks. Our efforts to protect our intellectual property rights may not be adequate and any third party claim on any of our unprotected intellectual property may lead to erosion of our business value and our operations could be adversely affected. Our Company may need to litigate in order to protect our intellectual property or to prevent unauthorized use of the same. Any such litigation could be time consuming and costly and a favourable outcome cannot be guaranteed. In addition, Our Company may not be able to detect any unauthorized use or take appropriate and timely steps to protect our intellectual property rights. Our inability to protect the same could adversely affect our business. We cannot provide any assurance that third parties will not infringe upon our trademark, trade names logos or brand names, and thereby cause damage to our business prospects, reputation or goodwill.

For more details on the trademarks registered in the name of our Company, please refer to the chapter titled “**Government Approvals**” on page 244 of the Red Herring Prospectus.

32. ***Any changes in regulations or applicable government incentives would materially adversely affect our Company’s operations and growth prospects***

The GoI has provided certain incentives to the textile sector, from which our Company may in the future benefit, including the Technology Upgradation Fund Scheme (“**TUFS**”) under which we are reimbursed 5% of the interest rate that we are charged on finance of new machinery from the Ministry of Textiles, duty entitlement pass book scheme and duty drawback. These incentives could be modified or removed at any time, or new regulations could be introduced applicable to our Company’s business, which could adversely affect our Company’s operations and financial results.

Our Company is also subject to regulations and textile policies, primarily in India. For further details, see the chapter titled “**Key Industry Regulations and Policies**” on page 121 of the Red Herring Prospectus. Our Company’s business and prospects could be adversely affected by changes in any of these regulations and policies, or if any or all of the incentives currently available cease to be, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that our Company will succeed in obtaining all requisite approvals in the future for its operations or that compliance issues will not be raised in respect of its operations, either of which would have a material adverse affect on our Company’s operations and financial results.

33. ***Certain of our Group Entities have incurred losses aggregating to ₹137.05 lacs, ₹185.34 lacs and ₹153.29 lacs for Fiscal 2008, Fiscal 2009 and Fiscal 2010 respectively***

Certain of our Group Entities have incurred losses during last three fiscal years (as per their respective audited standalone financial statements), as set forth below:

S. No.	Name of the Group Entities	Profit/ (Loss) after tax (₹ In Lacs)		
		Fiscal 2008	Fiscal 2009	Fiscal 2010
1	Bellini Fashions Private Limited	(1.93)	(0.38)	(0.12)
2	Hype Integracomm Private Limited	(34.52)	28.52	1.19
3	La Reine Fashions Private Limited	(1.38)	(4.99)	(0.95)

S. No.	Name of the Group Entities	Profit/ (Loss) after tax (₹ In Lacs)		
		Fiscal 2008	Fiscal 2009	Fiscal 2010
4	Vinay Hosiery Private Limited	25.24	(2.05)	1.29
5	M/s Techknit Industries	(99.22)	(177.92)	(152.22)

34. *Increases in employee costs may have a material adverse impact on our results of operations.*

We are a labour intensive Company. Employee costs in India have historically been significantly lower than employee costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. One of the objects of the Issue of our Company is to expand the installed capacity of its manufacturing unit at Bengaluru, as a result of which, the number of employees of our Company are likely to increase, thereby increasing the employee costs of our Company. However, if employee remuneration levels were to increase this may have an adverse impact on our profit margins.

35. *Our Company is entitled to receive certain tax benefits and other incentives which it does not avail currently, but proposes to avail in the future. In the event such tax benefits and other incentives are withdrawn or the effective tax rate is increased at a future date, it could adversely affect our financial condition and results of operations.*

Our Company is entitled to take advantages of certain tax exemptions, duty waivers and other deductions, including those such as reimbursement of 5% on the interest charged by a lending agency for financing of a project of technology upgradation which is provided under Technology Upgradation Fund Scheme, and credit linked capital subsidy, entry tax reimbursement, stamp duty reimbursement, power subsidy etc., which is provided under the Suvarna Vastra Neethi. However, our Company does not avail these tax benefits and other incentives currently, but proposes to avail them in the future. These tax exemptions and other benefits are scheduled to expire in future periods, and in the event such benefits are not renewed or are reduced, it could increase our effective tax rate and could materially reduce our profitability.

Please refer to the chapters “**Key Industry Regulations and Policies**”, “**Management’s Discussion and Analysis of Financial Condition and Results of Operation**” and “**Statement of Tax Benefits**” on pages 121, 208 and 81, respectively of the Red Herring Prospectus, for more information on the tax benefits available to our Company.

36. *Our Promoter and members of the 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 Promoter and Promoter Group will collectively own 66.96% of the Equity Shares. As a result, our Promoter together with the members of the 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. 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 Promoter 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.

37. *The proposed adoption of IFRS, which we expect to have to adopt effective April 1, 2014, could have a material adverse effect on the price of the Equity Shares.*

Public companies in India, including our Company, may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS

announced by the Ministry of Corporate Affairs, Government of India, through the press note dated January 22, 2010 (the “**MCA Press Release**”) and the clarification thereto dated May 4, 2010 (together with the MCA Press Release, the “**IFRS Convergence Note**”). Pursuant to the IFRS Convergence Note, all companies in India having a net worth below ₹ 50,000 lacs (as of March 31, 2009) will be required to prepare their annual and interim financial statements under converged accounting standards in a phased manner beginning with the fiscal period commencing April 1, 2014. Our financial condition, results of operations, cash flows or changes in shareholders’ equity may appear materially different under IFRS than under Indian GAAP. This may have a material adverse effect on the amount of income recognised during that period and in the corresponding (restated) period in the comparative fiscal year/period.

In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

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

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

39. ***We have issued Equity Shares during the last one year at a price that may be below the Issue Price.***

In the last one year, we have, pursuant to an investment agreement dated February 9, 2011, made an issue of 10,00,000 Equity Shares at an issue price of ₹ 200 per Equity Share (the “**pre-IPO Price**”) to SCI Growth Investments II. The issue of such Equity Shares may be at a price lower than the Issue Price. The price at which the Equity Shares have been issued in the last 12 months is not indicative of the price which may be offered in this Issue. For further details please refer to the chapter titled “**Capital Structure**” on page 55 of the Red Herring Prospectus.

40. ***Any further issuance of Equity Shares by our Company or sale of the Equity Shares by any of our significant shareholders could adversely affect the trading price of the Equity Shares.***

Any future issuance of Equity Shares by our Company could dilute your shareholding. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders could also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, 20.20% of our post-Issue paid-up capital held by our Promoter will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. All other remaining Equity Shares that are outstanding prior to the Issue will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked up, please see the chapter “**Capital Structure**” on page 55 of the Red Herring Prospectus.

41. ***Our expansion plans are subject to the risk of cost and time overruns***

Our plan for capacity expansion and diversification as referred to in the chapter titled “**Objects of the Issue**”, contains project costs and implementation schedules. We intend to utilize the Net Proceeds of the Issue to increase the production capacity, to setup service and distribution centers and diversifying into other products, for which we are yet to acquire some of the lands, machinery etc. Our expansion plans are subject to a number of contingencies, including changes in laws and regulations, government action, delays in obtaining approvals, delays in getting requisite land, inability to obtain machinery and other supplies at quoted or at acceptable terms, accidents, natural calamities, terrorist activity and other factors, many of

which may be beyond our control. We, therefore, cannot assure you that the costs incurred or time taken for implementation of these plans will not vary from our estimated parameters.

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

One of the objects of the Issue is to set up a manufacturing facility to create additional capacity at Bengaluru, which has been appraised by Bank of Baroda. Bank of Baroda has sanctioned ₹ 1632.55 lacs as a term loan for the project. The weaknesses and threats as mentioned in the Appraisal are as under:

Weakness: With the economic slowdown the expected sales volume may not be as per the plan. There can be under utilization of the manufacturing capacity being built up. Increased competition may lead to lower margins due to larger spends on advertising and promotions.

Threats: Competition and entry of new entrants.

43. *Our Company is expanding capacity without firm commitments / orders.*

As stated in the chapter titled “*Objects of the Issue*”, our Company is expanding its capacity, which will require a larger customer base. In the absence of guaranteed customers for the increased production, there can be no assurance that we will be successful in selling the increased production. This may result in lower capacity utilization and adversely affect the operations and financial results.

44. *Our Company is yet to enter into any definitive agreements for exclusive “Lovable” brand outlets, which it proposes to establish and any delay in formalizing arrangements for acquisition of land and / or property may delay our expansion plans and affect our business.*

Our Company proposes to establish exclusive “Lovable” brand outlets over the next three years. Our Company has not entered into definitive agreements or paid any consideration to purchase any land and / or property. The cost for setting up of exclusive “Lovable” brand outlets is approximately ₹ 1,412.18 lacs, as per Company estimates. Any delay in formalizing arrangements for exclusive “Lovable” outlet may delay our expansion plans and affect our business.

45. *Any kind of negative publicity or misuse of our brand name could hamper our brand building efforts and our future growth strategy could be adversely affected.*

We believe that our future growth and competitiveness would depend on our ability to establish and strengthen our brand. Our Company intend to utilise ₹ 1,800.00 lacs out of the Net Proceeds for brand building. However, in the event any of our innerwear products sold by our Company to its customers, which do not comply with the quality specifications or standards prevalent in the innerwear business or market segment, may result in customer dissatisfaction and adverse publicity of our brand value and subsequently affect our sales.

Further, we may not be able to identify any unauthorized use of our brands or our name or any kind of misrepresentation of being associated with our Company or our Group Entities. Even if we are able to identify such misuse, we may not be able take adequate or appropriate steps to protect them. Any such unauthorized use/misrepresentation could damage our reputation and hamper our brand building efforts.

46. *Our Company has not placed orders for all the machinery and equipment that is required for expansion of our manufacturing facilities and as a result, we may face time and cost overruns.*

Our Company is yet to enter into definitive agreements or are yet to place orders for all the machinery and equipment required for expansion of our manufacturing facilities at Bengaluru (the “**Manufacturing Facilities**”). The total cost of plant and machinery proposed to be installed at our Manufacturing Facilities are estimated to be ₹ 1,515.93 lacs. As on date of the Red Herring Prospectus, we are yet to place orders for

machinery of an estimated cost of ₹ 1,515.93 lacs comprising of 100.00% of the total estimated requirement of machinery at our Manufacturing Facilities. These factors may increase the overall cost of expansion of our Manufacturing Facilities, and subsequently, we may have to raise additional funds by way of additional debt or equity placement to for expansion of our Manufacturing Facilities, which may have an adverse effect on our business and results of operations.

47. *Under-utilisation of our manufacturing units, which our Company proposes to expand may adversely impact our financial performance*

Our Company intends to expand its production capacities based on our estimates of market demand and profitability. In the event of non-materialisation of our estimates and expected order flow for our products, due to factors including adverse economic scenario, change in demand or for any other reason, our capacities may not be fully utilized thereby adversely impacting our financial performance.

48. *We have entered into related party transactions that may not be as commercially favorable to us as non related party transactions.*

For Fiscal 2010 and the nine month period ended December 31, 2010, our Company has entered into related party transactions aggregating to ₹ 4,315.65 lacs and ₹ 618.19 lacs respectively. While we believe that all such transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties.

For further details of our related party transactions, please see the section entitled “*Financial Statements*” on page 161 of the Red Herring Prospectus.

External Risk Factors

49. *After this Issue, the Equity Shares may experience price and volume fluctuations or an active trading market for the Equity Shares may not develop.*

The price of the Equity Shares may fluctuate after this Issue as a result of several factors, including, among other things, volatility in the Indian and global securities markets, the results of our operations and performance, the performance of our competitors, developments in the Indian innerwear industry and changing perceptions in the market about participation in these sectors, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India's economic liberalization and deregulation policies and significant developments in India's fiscal regulations. There has been no public market for our Equity Shares and an active trading market for the Equity Shares may not develop or be sustained after this Issue. Further, the price at which the Equity Shares are initially traded may not correspond to the Issue Price. The share prices of companies participating in business assets can fluctuate significantly, which subjects an investment in the Equity Shares to substantial volatility.

50. *Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue.*

The Equity Shares will be listed on the BSE and the NSE. Pursuant to Indian regulations, certain requirements must be fulfilled before the Equity Shares can be listed and trading may commence. Investors' book entry, or demat, accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the BSE and NSE.

Thereafter, upon receipt of final approval from the BSE and the NSE, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Our Company cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above.

51. ***There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.***

The price of the Equity Shares will be subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by the SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits upward and downward movements in the price of the Equity Shares. As a result, shareholders' ability to sell the Equity Shares, or the price at which they can sell the Equity Shares, may be adversely affected at a particular point in time.

52. ***A third party could be prevented from acquiring control of us because of anti-takeover provisions under Indian law.***

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the takeover regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to its shareholders, such a takeover may not be attempted or consummated because of Indian takeover regulations.

53. ***Conditions in the Indian securities market may affect the price or liquidity of our Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies and the regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Further, the Indian stock exchanges have experienced volatility in the recent times.

The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading and limited price movements. A closure of, or trading stoppage on, the BSE or the NSE also could adversely affect the trading price of the Equity Shares.

54. ***Fluctuations in operating results and other factors may result in decreases in our Equity Share price.***

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares. There may be significant volatility in the market price of our Equity Shares. If we are unable to operate profitably or as profitably as we have in the past, investors could sell our Equity Shares when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares. In addition to our operating results, the operating results of other apparel companies, changes in financial estimates or recommendations by analysts, governmental investigations and litigation, speculation in the press or investment community, the possible effects of a war, terrorist and other hostilities, adverse weather conditions, changes in general conditions in the economy or the financial markets, or other developments affecting the apparel industry, could cause the market price of our Equity Shares to be issued to fluctuate substantially.

55. *Additional issuances of equity may dilute your holdings.*

Any future issuance of our Equity Shares or securities linked to our Equity Shares may dilute your shareholding in our Company. Any issuance of Equity Shares may dilute the holdings of our existing shareholders. After the completion of the Issue, our Promoter will own, directly and indirectly, approximately 66.96% of our outstanding Equity Shares. Sales of a large number of our Equity Shares by our Promoter could adversely affect the market price of our Equity Shares. Similarly, the perception that any such primary or secondary sale may occur could adversely affect the market price of our Equity Shares.

56. *Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.*

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax (“STT”) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident.

57. *The Equity Shares issued pursuant to the Issue may not be listed on the BSE and the NSE in a timely manner, or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our Equity Shares.*

In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to the Issue will not be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Equity Shares to be submitted and there could therefore be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining such approval would restrict your ability to dispose of your Equity Shares.

The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including our Equity Shares. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares.

58. *Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.*

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed many times since 1996. The current central government, which came to power in May 2009, is headed by the Indian National Congress and is a coalition of several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization could change, and specific laws and policies affecting foreign investment and other matters affecting investment in our securities could change as well. Additionally, any change in these policies could have a significant impact on infrastructure development, business and economic conditions in India.

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

We are incorporated in India, and all of our assets and employees are located in India. As a result, we are highly dependent on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. A slowdown in the Indian economy could adversely affect our business, including our ability to grow our assets, the quality of our assets, and our ability to implement our strategy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

- any increase in Indian interest rates or inflation;
- any scarcity of credit or other financing in India;
- prevailing income conditions among Indian consumers and Indian corporations;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- variations in exchange rates;
- changes in India's tax, trade, fiscal or monetary policies;
- political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighbouring countries;
- natural disasters in India or in countries in the region or globally, including in India's neighbouring countries;
- prevailing regional or global economic conditions, including in India's principal export markets; and;
- other significant regulatory or economic developments in or affecting India.

Any slowdown in the Indian economy or in the growth of the sectors we participate in or future volatility in global commodity prices could adversely affect our borrowers and contractual counterparties. This in turn could adversely affect our business and financial performance and the price of our Equity Shares.

60. *Instability in financial markets could materially and adversely affect our results of operations and financial condition.*

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the U.S. or Europe, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reaction to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets. Any prolonged financial crisis may have an adverse impact on the Indian economy and us, thereby resulting in a material and adverse effect on our business, operations, financial condition, profitability and price of our Equity Shares.

61. *Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.*

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares will trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, impede travel and other services and ultimately adversely affect our business. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on the value of share prices generally as well as the price of our Equity Shares. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

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

India has experienced significant natural disasters such as earthquakes, a tsunami, floods, drought, fires and spread of pandemic diseases such as the H5N1 avian flu and the H1N1 swine flu, in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy and infrastructure. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy in which we operate, which could adversely affect our business and the price of our Equity Shares.

Prominent Notes:

1. Our Company was incorporated under the Companies Act, 1956 on September 29, 1987 as a private limited company under the name and style of Hybo Knit Private Limited. Our name was subsequently changed to Lovable Lingerie Private Limited pursuant to a certificate of change of name dated December 20, 1995. Our Company was converted into a public limited company on April 19, 2010 with the name Lovable Lingerie Limited. Our Company has filed an application with the RoC dated August 21, 2010 for rectification of our Company's name from "Lovable Lingerie Limited" to "Lovable Lingerie Limited". The RoC has duly rectified the name of the Company from "Lovable Lingerie Limited" to "Lovable Lingerie Limited". The corporate identification number of our Company is U17110MH1987PLC044835. For further details see the chapter titled "**History & Certain Corporate Matters**" on page 128 of the Red Herring Prospectus.
2. This is a Public Issue of 45,55,000 Equity Shares for cash at a price of ₹ [●] per Equity Share including a share premium of ₹ [●] per Equity Share aggregating ₹ [●] lacs (the "**Issue**") by Lovable Lingerie Limited (the "**Company/ Issuer**"). The Issue would constitute 27.08% of the post Issue paid-up equity capital of our Company.
3. The SEBI ICDR Regulations have permitted the Issue of securities to the public through the Book Building Process, wherein not more than 50% of the Issue shall be allotted on a proportionate basis to QIBs, of which 5% (excluding Anchor Investor Portion) shall be reserved for Mutual Funds. Up to 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Further, 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. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM.
4. Investors may contact the BRLM and the compliance officer for any complaint / clarification / information pertaining to the issue. For contact details of the BRLM and the compliance officer, please refer to chapter titled "**General Information**" on page 47 of the Red Herring Prospectus.
5. The net worth of our Company as at December 31, 2010 was ₹ 3,691.40 lacs, based on the restated financial statements, under Indian GAAP included in the Red Herring Prospectus. The net asset value per Equity Share of ₹ 10 each, as at December 31, 2010 was ₹ 32.81 based on our restated financial statements under Indian GAAP included in the Red Herring Prospectus. For further details, please refer to chapter titled "**Auditors Report and Financial Information**" on page 161 of the Red Herring Prospectus.
6. The average cost of acquisition of Equity Shares by our Promoter and Promoter Group is as follows:

S. No.	Name of our Promoter	Average cost of acquisition (in ₹)
1.	Mr. L. Vinay Reddy	4.23
2.	Mrs. Shobha J. Reddy	1.33
3.	Mr. Prashant J. Reddy	1.55
4.	Mrs. Veena Reddy	1.33

S. No.	Name of our Promoter	Average cost of acquisition (in ₹)
5.	Mrs. Taruna V. Reddy	1.33
6.	L. Vinay Reddy (HUF)	1.33
7.	L. Jaipal Reddy (HUF)	1.33

7. Our Company has entered into related party transactions amounting to ₹ 4,315.65 lacs for the financial year ended March 31, 2010 and ₹ 618.19 lacs for the nine months period ended December 31, 2010. For details on related party transactions and loans and advances made to any company in which Directors are interested, please refer to the chapter titled ***“Related Party Transactions”*** on page 159 of the Red Herring Prospectus.
8. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer chapter titled ***“Terms of the Issue”*** on page 264 of the Red Herring Prospectus.
9. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of our Company, in consultation with the BRLM.
10. Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.
11. Investors are advised to refer to the chapter titled ***“Basis for Issue Price”*** on page 78 of the Red Herring Prospectus.
12. There has been no financing arrangement whereby the Promoter Group, the Directors of our Company and their relatives have financed the purchase, by any other person, of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the Red Herring Prospectus with SEBI.
13. Except as disclosed in chapters titled ***“Related Party Transactions”*** and ***“Our Promoter”***, ***“Group Entities”*** and ***“Capital Structure”*** on pages 159, 156, 198 and 55, respectively of the Red Herring Prospectus, none of our Promoter, Directors, key managerial personnel or Group Entities have any business or other interest, other than to the extent of Equity Shares held by them and to the extent of the benefits arising out of such shareholding.

For information on the changes of the objects clause of the Memorandum of Association of our Company, please refer to chapter titled ***“History and Other Corporate Matters”*** on page 128 of the Red Herring Prospectus.

SECTION III: INTRODUCTION

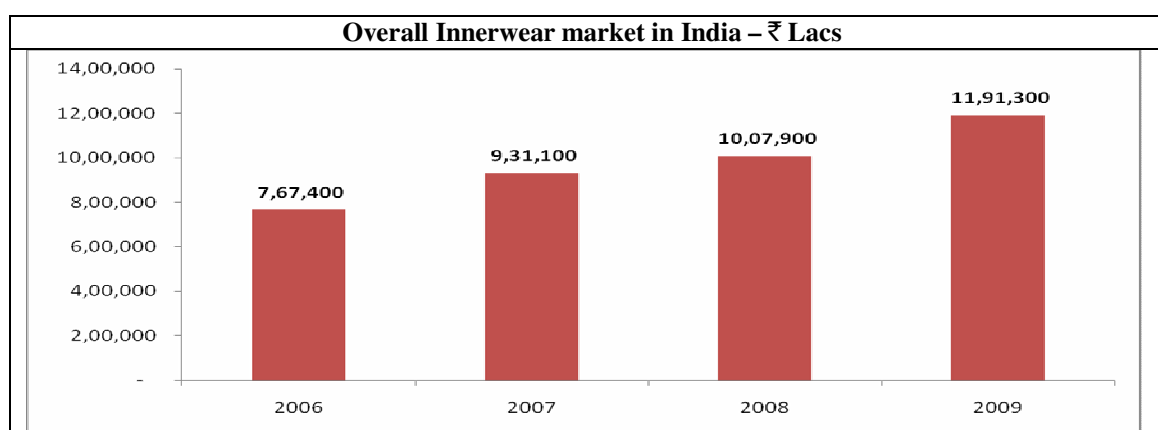
SUMMARY OF INDUSTRY

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Overview of the Indian Innerwear Industry

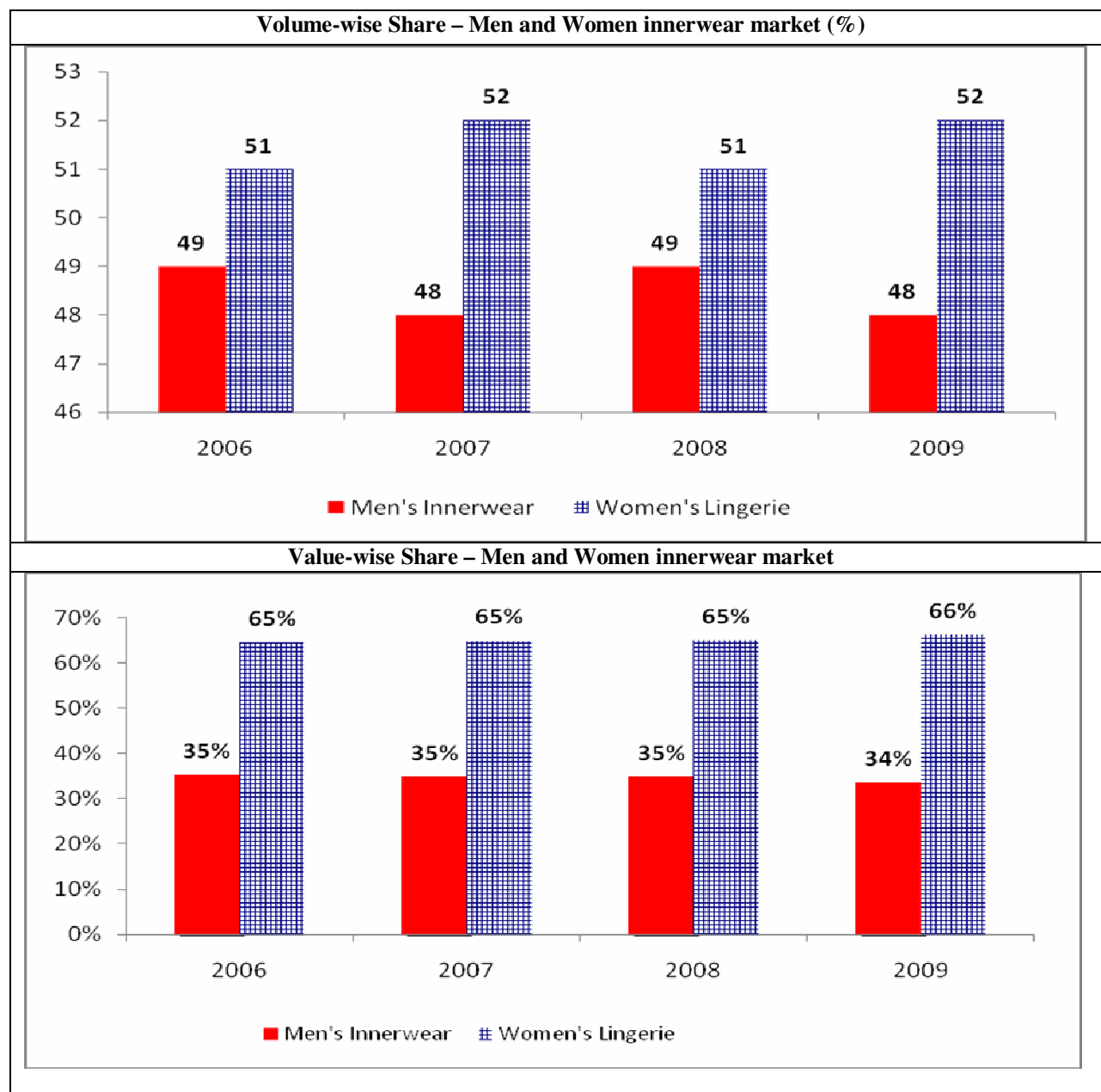
The overall innerwear market (excluding kids) in India was worth ₹ 1,191,300 lacs in CY 2009. It has grown at a Compounded Annual Growth Rate (CAGR) of 15.8 % over the last four years. The growth can be attributed to the rising disposable incomes, growing consumer class and advent of international brands in the Indian markets



Source: CARE Research, Images Business of Fashion Yearbook 2010

In volume terms, the men's innerwear market constitutes 48 % of the total innerwear market in India. The share has remained range bound over the last four years. The women lingerie segment holds a 52 % share.

In value terms, the women lingerie segment enjoys 66 % share of the total lingerie market. Larger value share and a smaller volume share depict higher Average Selling Price (ASP) as compared to the men's innerwear market.

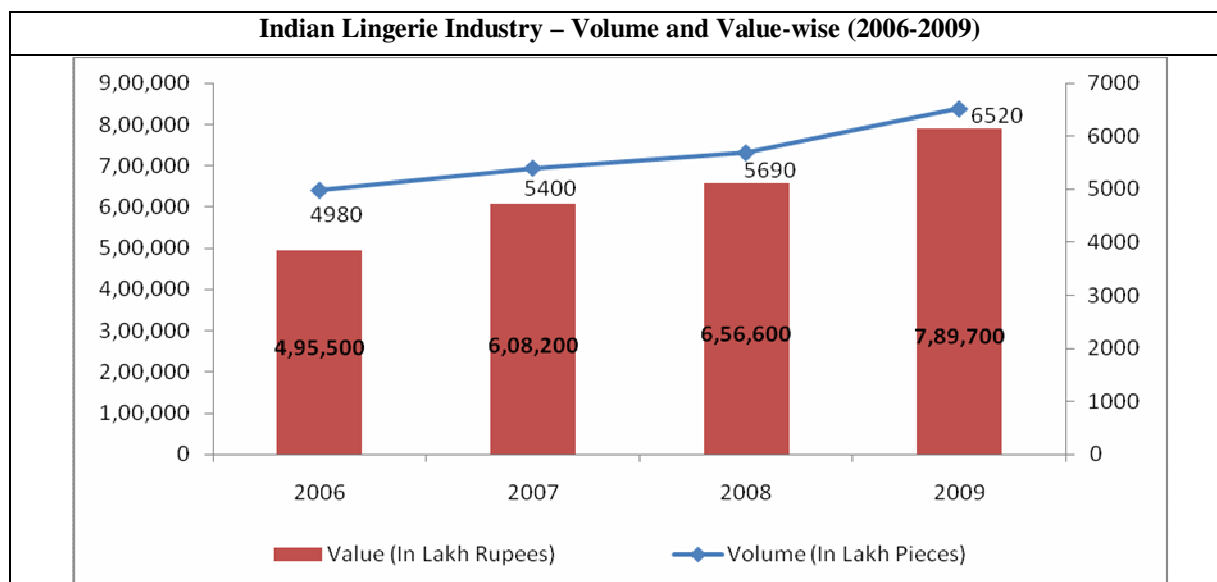


Source: CARE Research, Images Business of Fashion Yearbook 2010

Overview of the Lingerie industry in India

In value terms the lingerie industry in India was worth ₹ 7, 89,700 Lacs in CY2009. It has grown at a robust 16.8 % over the last four years (2006-09). The growth can be attributed to the rising disposable income and growing preference for lifestyle products. Over the last decade lingerie has grown from an optional part of the wardrobe to essential clothing for women. It constituted 5.1 % of the total Indian apparel market and 15.8 % of the overall women apparel market during 2009.

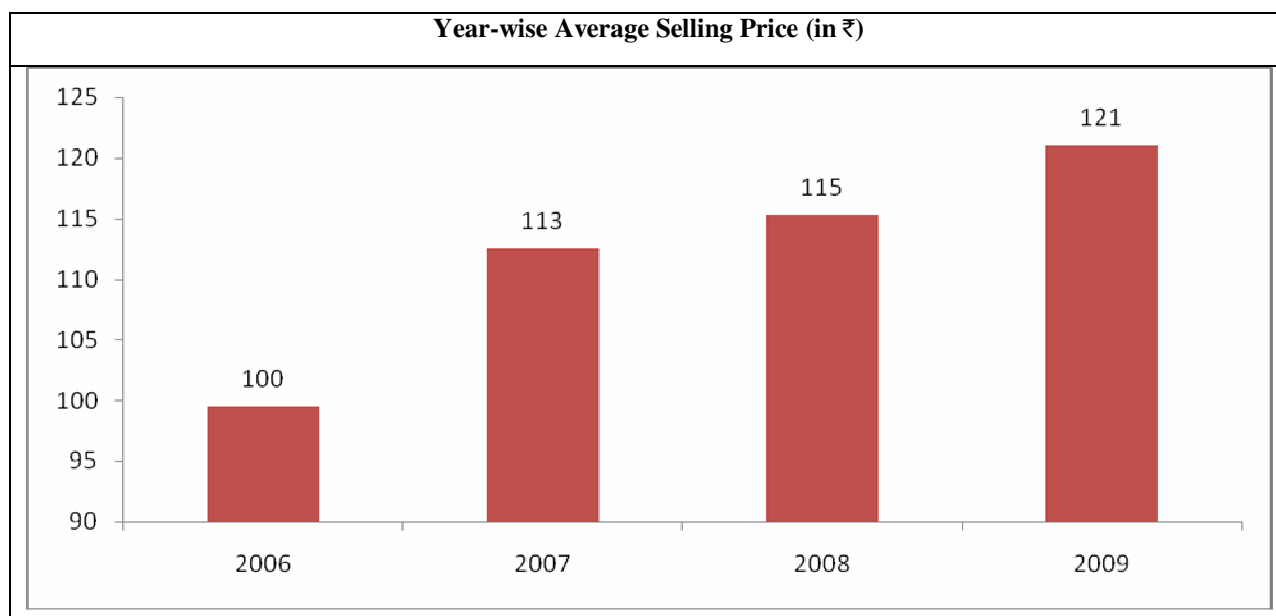
In volume terms the lingerie industry grew at a rate of 9.4 % over the last four years. The lingerie sales grew from 4,980 Lacs pieces in 2006 to 6,520 Lacs pieces in 2009. In volume terms it constitutes 9.4 % of the overall apparel market and 31.9 % of the women apparel market.



Source: CARE Research and Images Business of Fashion Yearbook, 2010

Note: All numbers are CY

The lingerie market grew at a faster pace in terms of value as compared to volumes during the 2006-2009 period. This signifies a jump in the average selling price which grew from ₹ 100 in 2006 to ₹121 in 2009. It grew at a Compounded Annual Growth Rate (CAGR) of 6.7 % during the same period.



Source: CARE Research and Images

Note: Calendar Year Data

The lingerie industry in India is characterized by a high degree of fragmentation with almost two-third of the market controlled by the unbranded and unorganized regional players and the balance one-third share goes to the few big organized and branded players. The advent of some international brands in the Indian market place has brought about some realignment in the fragmented lingerie market. The companies have started advertising boldly through advertisements, fashion shows etc., to catch up with the consumers to understand their preferences.

SUMMARY OF OUR BUSINESS

*This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read this entire Red Herring Prospectus, including the information on “**Risk Factors**” and our “**Auditors Report and Financial Information**” and related notes on page 11 and page 161 respectively of the Red Herring Prospectus, before deciding to invest in our Equity Shares.*

Overview

Our Company, incorporated in the year 1987, is one of India’s leading women’s innerwear manufacturers. Our products include brassieres, panties, slips / camisoles, homewear, shapewear, foundation garments and sleepwear products. On December 26, 1995, our Company was licensed the brand “Lovable” from Lovable World Trading Company, USA. Subsequently, by an agreement dated December 23, 2000, our Company acquired the brand “Lovable” from Lovable World Trading Company, USA on an exclusive basis for the territories of India, Nepal, Sikkim and Bhutan. The innerwear products manufactured under the brand “Lovable” cater to the premium segment market in India.

“Lovable” and “Daisy Dee” are our flagship brands. Our brand “Lovable” is amongst the top three most preferred brand in women’s innerwear in India (Source: CARE Report). As part of our growth strategy, we have diversified our portfolio of brands and acquired brands like “Daisy Dee” from Maxwell Industries Limited through a memorandum of understanding dated March 18, 2004 to cater the mid segment market in India and also acquired the brand “College Style” from Levitus Trading Limited, Hong Kong through a deed of assignment dated March 17, 2009 to cater to the young segment of India. Our Company has also in the past marketed the “Vanity Fair” brand of women’s innerwear garments, which was licensed from VF Corporation Inc., USA.

Our Company’s core competency lies in understanding the prevailing trends in the women’s innerwear market and the buying preferences of our customers and accordingly manufacturing quality innerwear garments to assure our customers of product quality and fit consistency in trendy women’s innerwear. In addition, our competency also lies in identifying the gaps and foraying into the untapped women’s innerwear market segments with unique products. In the year 1995 our Company identified that the Indian market was developing and there was potential for launching and sustaining a premium women’s innerwear brand and pursuant to a license agreement with Lovable World Trading Company, USA (“LWTC”) we acquired the technical expertise for producing international standard innerwear for women. Our Company has its design studio since 1996. It was started and managed by our designers who were trained in the women’s innerwear design at Lovable USA’s studio in Atlanta.

We believe our Company has been successful in establishing one of the first international women’s innerwear brand in the Indian market. Our Company is a marketing centric organisation, which works on the consumer’s need and accordingly modifies the innerwear product and design know-how. Our Company sources certain international innerwear materials like lace and fabric for the women’s innerwear products it manufactures and retails to premium outlets. Our Company segments the customer as per their psychographics, biases and affinities, and the look and fit and features desired. Our Company has established our product segments like All Day Long, Cotton Essentials, Encircle and Tease, at a time when women’s innerwear market was at its nascent stage. We believe that these focused segments and their customer franchise remain our strength till today.

Our Company is headquartered in Mumbai, Maharashtra and has three (03) manufacturing facilities of which two (02) are situated at Kanakapura road in Bengaluru and one (01) is situated in Roorkee, Uttarakhand. Our two (02) manufacturing facilities situated in Bengaluru, Karnataka commenced operations in the year 1995 and the year 2005, respectively and have a total installed capacity of 30 lac pieces each per annum to manufacture brassiere and panties. Going forward, we propose to implement a project for modernization and integration at a new location in Uttarahalli Hobli, Bengaluru which will result in increase in capacity and value-addition by 25 lacs pieces per annum. The manufacturing unit situated at Roorkee, Uttarakhand commenced operation in February, 2010 and has an installed capacity of 7.5 lac pieces per annum to manufacture brassiere and panties.

Our first manufacturing facility was set up as per the specifications from LWTC. Similarly our other two manufacturing units maintain the same specifications to maintain international standards. Production lines were set

up as per the layouts and configurations that were in use at our licensor's factories. Our production managers received training at LWTC's factory in Costa Rica, Central America.

In order to keep up with consumer tastes and fashion cycles, our Company has set up an in house design studio for developing innerwear products and creating styles to meet the global standards. We have a design studio in Bengaluru, Karnataka with the latest equipments and a team of designers. Our design studio is equipped with latest software with requisite hardware like digitiser, pattern grader, sampling, sewing machines and sample analyser. Our design studio has a team of designers, pattern makers and sample makers who put together international trends and innovative features in our innerwear products and which are updated from visits to international women's innerwear and raw materials fairs, industry literature and women's innerwear websites. Our Company continuously works on the basis of consumer feedback, by visiting trendsetting international markets and meeting market participants at such markets.

To market our products and increase the retail sales of our Company, we have undertaken the concessionaire retailing model. In this model, our Company procures dedicated retail space in leading high-traffic retail outlets like large format stores ("LFS") / department stores. In this dedicated space, our Company's brand "Lovable" makes the arrangement for stocking, displays and visual merchandising in the form of its "shop-in-shop" modules and its display fixtures. Unlike a multi-branded display, in this model the dedicated retail space stocks only our brand's products, reflects our brands visuals and is manned by our sales representative. By marketing our innerwear products through the "shop-in-shop" concept helps in displaying the entire range of products manufactured by us and in garnering more revenues for our Company. Currently, our Company has 127 counters in stores like Westside, Shoppers Stop, Lifestyle amongst others in 21 cities, all over India.

Our Company measures success in terms of customer satisfaction and quality that is built into every product. The value of commitment to quality is also cherished by each of our 1,209 staff members and is consciously upheld by our network comprising of 5 branches, 103 distributors, 1,425 direct dealers and approximately 7,500 multi brands outlets in 105 cities.

For the year ended March 31, 2010, we had a net sales of ₹ 8,695.35 lacs and net profit after tax of ₹ 978.96 lacs (excluding extraordinary items), as compared to net sales of ₹ 6,924. 26 lacs and net profit after tax of ₹ 601.94 lacs (excluding extraordinary items) for the year ended March 31, 2009.

Our net sales have grown at a CAGR of 29.77 % from ₹ 3,065.94 lacs for the year ended March 31, 2006 to ₹ 8,695.35 lacs for the year ended March 31, 2010. Our PAT has grown at a CAGR of 35.50 % from ₹ 290.43 lacs for the year ended March 31, 2006 to ₹ 978.96 lacs for the year ended March 31, 2010.

Competitive Strengths

Our principal competitive strengths are as follows:

1. *Entrenched and long-standing market presence*

Our Company's "Lovable" brand is one of the key brands in the premium and super premium women's innerwear segment (*Source: CARE Report*). Our "Lovable" brand was launched in India in the year 1996 and currently its women's innerwear products are sold in 1,425 stores across the country. The number of retailers selling our innerwear brands has grown steadily over the years from 100 in the year 1996 to 1,425 in the year 2010 due to the service that has been provided by our sales and marketing teams.

Our brand "Daisy Dee" was launched in the year 2005 and we believe it has a significant national presence. We believe that our brand "Daisy Dee" is one of the leading brands in the mid market segment which was launched at a time when moulded / seamless brassiere technology was at nascent stages in the mass market in India. We believe that our "Daisy Dee" innerwear products offer such technology at attractive price points to the mid market segment of India.

2. Usage of modern equipment and technology

Our Company has invested in modern technology and equipment across all areas of its operations. Our Company has installed Computer Aided Designing (“CAD”) machines, imported moulding machines and sewing assembly lines across all our plants. Our technology while ensuring that labour requirement is minimal facilitates quick turnaround times, innovative finishes and flexibility to adapt to changing fashion trends, consistency in quality *etc.*

Additionally, our Company also keeps abreast with the latest changes in technology by attending various international fairs, seminars, expositions and benchmarking with various brands in the world.

3. Integrated operations and economies of scale

Our Company’s operations are integrated across the value chain from raw material procurement to cutting, moulding, stitching, and despatch. This in turn has enabled our Company to meet the time, quantity and quality requirement of our customers. Our business has a complex supply chain due to large variety in the product line and large number of stock keeping units. We have in house facilities for moulding, components assembly and lamination of fabrics. By virtue of our integrated operations, our Company derives benefits of economies of scales and quality control. We believe we are one of the few manufacturers of women’s innerwear in India who run multiple production modules / production lines simultaneously which enable us to churn out a wide product range in varying batch sizes.

Our Company’s total installed capacity and total capacity utilization as on December 31, 2010 is 67.50 lacs pieces per annum and 74.64% respectively which provides advantages of economies of scale. The large volumes ensure bulk quantity discounts on purchases and wide amortization of overheads resulting in reduced cost per unit. Larger sales volumes also help in faster sell through of our product ranges and frequent introductions of new ranges that impart innovation for the consumer in the stores.

4. Locational advantages

Our Company’s plants are located at Bengaluru and Roorkee. These centres are well-connected by road and rail to the rest of the country. This facilitates the movement of raw material into the factory locations and finished products to the respective markets across the country.

Bengaluru has one of the largest garment clusters in India and this accords our Company many locational advantages like skilled managerial talent, skilled labour, vendor base, technical supports and low lead times from suppliers. These locational advantages have served our Company well since its first factory and we have chosen to expand at proximate locations.

5. Strong distribution capabilities

Our distribution channel is one of our key strengths. Our products are retailed through 103 distributors in India. These distributors are segmented geographically and also on the basis of the product range (“Lovable” and “Daisy Dee” being the key segments). Our Company caters to approximately 1,425 retail outlets for our “Lovable” brand and our distributors cater to approximately 7,500 retail outlets for our “Daisy Dee” brand. Retail outlets selling our products can be categorised in the following three (03) formats:

- Chain stores i.e. large format stores (“LFS”);
- Multi Brand Lingerie Outlets (“MBOs”); and
- Hosiery products / innerwear stores.

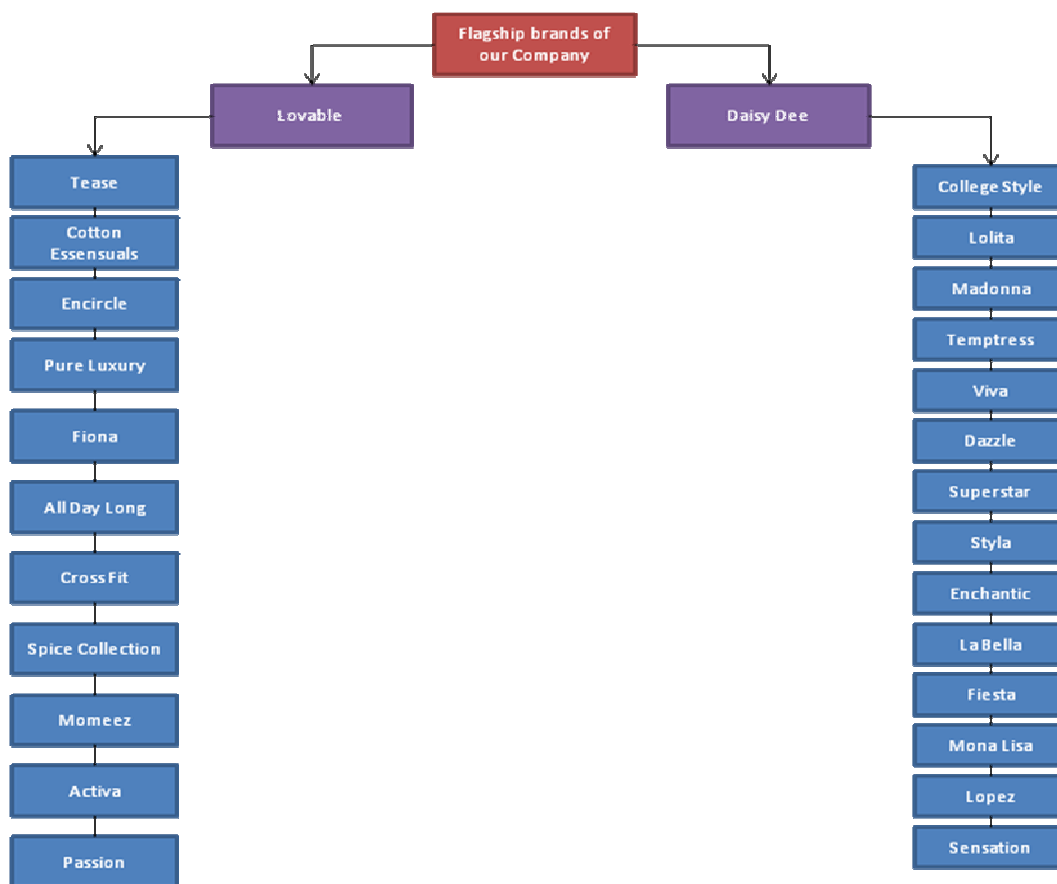
Women’s innerwear in India is largely sold through the MBOs, hosiery products outlets and LFS. We believe we have an entrenched and a strong presence in MBOs and LFS serviced through our distributors or directly from our warehouses. Our distributors provide services of proximate supply in a timely manner and also attend to the credit needs of various retailers. The distributors work closely with the retailers and give feedback to our Company. Most of the distributors exclusively distribute our products in innerwear.

6. Product range and diversified customer base

Our Company has varied product range and our brands “Lovable”, “Daisy Dee” and “College Style” cater to diversified customers. Our brand “Lovable” is a premium women’s innerwear brand and where as “Daisy Dee” is a mid segment market brand.

Our Company has a comprehensive portfolio of product offerings that are conceived and planned for meeting the needs of consumers with some precise product benefits. For easy understanding by our retailers and consumers of our product offerings, our Company has organised its product ranges through certain sub-brands. Our Company communicates the product benefits of each category of products through these sub-brands. Our Company has a product range of approximately 50 styles under the “Lovable” brand and a product range of approximately 100 styles under the “Daisy Dee” brand.

Some of the leading sub-brands in the portfolio of the “Lovable” and “Daisy Dee” brands are as under:



The above approach for having a portfolio of wide product ranges for diversified customer profiles has helped our Company in tapping multiple avenues for enhancing revenues.

7. Product design and development

Design development and sampling forms an integral part of our Company’s operations and is considered as an effective tool for converting customer’s need into a product. Our Company has invested in building a design studio at our plants in Bengaluru for developing products and styles which are based on unique customer insights. Our design studio is supported by skilled and qualified designers from reputed fashion design institutes.

Our Company has a design library of approximately 1,000 designs. Our design studio also holds a knowledge bank of styles, innovations, customer salience, raw materials performance, fits and fits trials data, reasons for under-performance, etc. and it is invaluable in the development of our innerwear products. New designs are developed on a regular basis to add to our library of designs, concepts, features, fit patterns, material specifications and product specifications.

Our Company has also focused on new product offerings in order to gain customer and market share. Some of the innovative ranges that have been created by our design studio are:

(a) *Cotton Essentials*

Cotton Essentials is an everyday range of premium innerwear that suits the needs of Indian women's affinity for cotton rich fabrics.

(b) *Encircle*

Encircle is a full-support brassiere for full-figured women and is specially designed without under wires.

(c) *Tease*

Tease is a non-padded T-shirt brassiere, a category of innerwear ideally suited for young women. Unlike a padded T-shirt brassiere that's an oriental-asian concept, Tease is a new concept innerwear to cater to the demand of young women of today.

8. *Globally successful brand*

"Lovable" is an 85 years old brand with global presence. The brand "Lovable's" core value of innovation has led to strategies that have given the brand international success. "Lovable" is one of the few women's innerwear brands that has presence across continents. "Lovable's" international success is a derivative of its consumer centric strategies and commitment to quality and value. Our Company had introduced the international "Lovable" brand in the Indian market and making it amongst the top three most preferred brand in women's innerwear in India (*Source: CARE Report*).

9. *Leveraging the modern retail business model*

Our Company has undertaken the concessionaire retailing model as "shop-in-shop" modules in LFS. This model helps us in displaying our complete range of products thus in garnering more revenue from customers. Our sales and marketing teams, who are trained on product knowledge and on fitting out the customer, operate the "shop-in-shop" modules at these stores. Besides, they also provide in a structured manner the consumer feedback of our innerwear products which enable us to improve our existing products as well as introduce new products.

The spin-off benefits from forward integrating to the consumer facing front end are many in a marketing-led business. The most important benefits are direct un-filtered consumer response received by our sales representative which is an immediate barometer on the consumer psyche, quick testing of new innerwear products, response before launching them in other distribution channels, accurate counter sales data, etc.

Our Strategies

1. *Expansion of existing range of products through innovation*

Our Company endeavours to capitalize on its presence in the women's innerwear category, by widening of our product portfolio. We aim to strengthen our brand presence in the premium women's innerwear segment by launching women's innerwear in the super premium segment and thus exploit the untapped potential in these categories. Our Company intends to continue the culture of offering innovative products to our women consumers. Further, our Company proposes to extend the "Lovable" brand into product segments like sleepwear and home wear.

2. Multi-brand strategy

In the women's premium innerwear segment, our Company intends to make further investment in strengthening the brand equity and the lifestyles attributes of the "Lovable" brand by increasing its advertising and marketing activities. Our Company also intends to venture into leisure wear for women under our "Lovable" brand. The higher lifestyle connotation of the innerwear brand will enable the brand to be labelled on more products segments as a branded product. Our mid segment innerwear brand "Daisy Dee" is a brand that denotes specific products with their differentiated propositions through its various sub-brands. We intend to increase the presence of our "Daisy Dee" brand nationally with an increased level of advertising and publicity that would be required to support its market spread. Our Company also intends to foray into men's innerwear segment to expand our consumer base and diversify into another large segment of the innerwear industry. Diversifying into men's innerwear will help our Company enjoy synergies in all aspects of manufacturing and sourcing. Our Company will also be able to leverage its selling and distribution networks for this related product segment. Many of our MBO and Hosiery / innerwear retailers also sell men's innerwear and they will be receptive to a brand offering from our Company which enjoys a long-standing trade relationship with them. Our Promoter has significant experience in the men's innerwear industry and will help guide our Company's foray into men's innerwear.

Currently we have two flagship women's innerwear brands i.e. "Lovable" and "Daisy Dee" and we intend to further introduce new sub-brands according to the trends in the market, to compliment our existing bouquet of products, for example, leisure wear and night wear for women under the "Lovable" brand. In addition, our Company also intends to promote some of our innerwear sub-brands, such as "College Style", as flagship brands. Our Company proposes to invest considerably in marketing and advertising resources and scale-up our "College Style" sales team and leverage its distribution network for a nation-wide launch. We believe that our ability to strategically position our sub-brands will help us in increasing our customer base and our market share in the women's innerwear industry.

3. Modernisation and upgrading of our manufacturing facilities

Our Company believes in making investments for continuously achieving higher levels of excellence in its products. While planning the new manufacturing facility for modernisation and expansion, our Company has identified three goals and planned each investment for sub-serving these goals. For the goal of further "*improving fit consistency and quality assurance*" our Company is investing in the latest pattern design software that integrates comprehensively from design to product construction details, sizes grading algorithms, sewing margins, tolerances, etc. This software also digitizes everything in the design studio from sketches, line drawings, colourways and transposes them onto standardized brassiere construction templates. Some more measures for fit consistency and quality assurance that our Company is investing in are computer-controlled sewing machines for accurate seam lengths and sewing tensions that enable consistency in fitting critical garments like innerwear. For reduction in the human role in quality assurance, our Company is installing customized attachments on its sewing machines that effectively reduces the sewing operator's role.

For the goal of "*enhancing operator productivity*", our Company is investing in programmable sewing work stations, auto-thread trimming sewing machines, sewing machines with excess fabric trimming and lint collection, etc. Besides enhancing operator productivity and saving manpower cost per garment, these measures also reduce the laborious and mechanical elements of the operators work and reduce their work fatigue and thereby enhancing product quality and productivity.

For the goal of "*installing specialized equipments*", Our Company is investing in specialized equipments for operations like strap making which are essential for handling the production volume needs. Our Company is also integrating further in brassiere cups and pads moulding by installing specialized moulding machines for some components that are presently outsourced / imported. This will improve flexibility in production lead times thus realising higher margins.

4. Channels leveraging for pan India presence

The growth rate of the innerwear market is driven by new customer demographics entering our target segments and also by customer's willingness to buy higher price segment innerwear. For catering to various customers, it is

necessary for our Company to increase its retail base and distribution network. For expanding distribution of our innerwear brands, our Company intends to deploy additional sales team resources and intensify the market coverage activities on a fast moving consumer goods (“**FMCG**”) model. Our Company is working to leverage our existing distribution channels to reach more retailers.

As more women are working and participating in the fast growing economy of India, the disposable income of women has increased to spend on lifestyle products hence, the market for premium women’s innerwear products is likely to grow from 15.8% in the year 2009 to 28% by the year 2014 of the Indian innerwear market (*Source: CARE Report*). Our Company intends to leverage a large share of this demand growth by a large growth in “*shop-in-shop*” outlets in the LFS. Our Company also intends to leverage such opportunities and expand our pan India presence.

5. Expanding the retail space

“*Lovable*” brand works on the concessionaire retailing model with some large retailing stores like Shoppers Stop, Lifestyle, Westside amongst others. This model helps us in displaying the full range and in garnering more revenue from LFS customers. Our Company’s sales representatives operate at the “*shop-in-shop*” modules at these retail stores and the retailing done at these retailing stores is an extension of our Company’s activity. Working on this model has helped our Company gain insight on forward integration activity i.e. retailing. Our sales representatives who man our “*shop-in-shop*” are trained by our Company on product knowledge, fitting out the customer and sales closing techniques and getting consumer feedback.

Our Company gradually intends to expand our retailing space beyond the concessionaire retailing model. Our Company is observing and participating in various innerwear retailing formats as they develop and mature, therefore gaining experience of retailing while executing the concessionaire retailing model. Our Company intends to develop the exclusive brands outlets concept that will be a speciality women’s innerwear retailing model and that will retail our Company’s existing innerwear brands, the super premium brand that we intend to launch and also retail the products that our Company is venturing into like sleepwear, homewear, etc. Our Company believes that this concept will increase our retailing presence, brand awareness and space dedicated to our brands.

6. Explore inorganic growth opportunities

Our Company believes that inorganic growth opportunities would be a “growth and value driver” in its future strategic plans. Our Company has in the past acquired the brands “*Lovable*”, “*Daisy Dee*” and “*College Styles*”. To enhance our existing innerwear business, our Company may acquire or partner with any company in the innerwear business to enable us to access new products or diversify into newer markets that have large growth potential for our Company. Our Company believes that pursuing selective acquisitions, partnerships, or alliances in domestic markets and internationally would improve our competitiveness, further broaden our product offerings and strengthen our market position.

In this regard, our Company has entered into a joint venture agreement with Lifestyle Galleries of London Limited (“**Lifestyle Galleries**”) to establish a joint venture company in India by the name of Lovable Lifestyles Private Limited (“**Lovable Lifestyle**”). Lovable Lifestyle intends to launch product lines in women’s innerwear and in related lifestyle categories.

7. Increasing revenue streams by exports

It is our Company’s endeavour to increase the export sales of our innerwear products by exporting our products to countries like Sri Lanka, UAE and Bangladesh to enhance its geographic reach. We believe our Company’s brand “*Daisy Dee*”, also has the potential to grow in developing markets similar to India.

Our Company believes that for a distinctive innerwear product with a good brand positioning, there exists potential to establish its franchise and to carve out a viable branded segment even from a market that is commoditized and non-brand conscious. Our Company has a consumer-centric focus based on learnings about the consumer and also understands the psyche with respect to women’s innerwear. These will be our key strategies that will guide our Company’s international foray with its brands.

Threats and Weaknesses

1. Low degree of brand loyalty

We believe, we have a comprehensive portfolio of women's innerwear products that are conceived and planned for meeting the needs of consumers. The success of any of our products is dependent on the brand loyalty generated by our products. Due to the highly competitive nature of the industry in which we operate our target customers tend to switch over to the products manufactured by our competitors thereby generating a low level of brand loyalty towards our products which may result in us losing our market share to our competitors.

2. Fluctuations in the availability, prices and the quality of raw materials

We are significantly exposed to the fluctuations in the availability, prices and the quality of raw materials. While we believe that we could find additional vendors to produce these fabrics and other raw materials, any failure of our suppliers to deliver these fabrics and raw materials in the necessary quantities at competitive pricing or to adhere to delivery schedules of specified quality standards and technical specifications would adversely affect our production processes and as a result adversely effect our business, financial condition and results of operations.

3. Labour intensive nature of our Company

Our Company's activities are labour intensive. Strikes and other labour action may have an adverse impact on our operations. Further, our third party suppliers of raw materials, including suppliers from international markets, may experience strikes or other industrial action. Any strike, work stoppage or other industrial action experienced by us or our third party suppliers of raw materials could result in production losses and delays in delivery of our products, which may adversely affect our operations and profitability.

4. Competition from other manufacturers

The industry in which we operate is characterized by constant product innovation due to changing consumer preferences and evolving fashion trends. To compete successfully in the industry, we must be able to identify and respond to changing consumer demands and tastes, as well as operate within substantial production and delivery constraints. Changes in product mix may impact our operating results and our margins.

Further, creativity is one of the key attributes for success in this industry. For us to remain competitive in respect of appealing designs, shapes and colour combinations, the designers of our Company have to keep themselves abreast with the latest global trends and also understand the design requirements of the customers.

For further details on our threats and weaknesses, please refer to the chapter titled "***Risk Factors***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***General Information - Grading Rationale***" on pages 11, 208 and 50 respectively of the Red Herring Prospectus.

SUMMARY FINANCIAL INFORMATION

Statement of Assets & Liabilities (As Restated)

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A	Fixed Asset						
	Gross Block	527.72	593.06	666.51	1,666.78	1,753.66	1,833.55
	Less: Depreciation	259.03	280.26	308.13	347.59	475.16	576.90
	Net Block	268.69	312.80	358.38	1,319.19	1,278.50	1,256.65
	Total Fixed Assets (A)	268.69	312.80	358.38	1,319.19	1,278.50	1,256.65
B	Investment(B)	0.35	0.33	100.33	100.33	198.43	0.60
C	Current Assets, Loans & Advances:						
	Inventories	889.55	1,317.19	1,661.26	1,353.05	1,306.65	1,418.53
	Receivables	438.99	544.93	609.44	870.95	1,363.94	1,762.86
	Cash & Bank Balance	56.83	156.44	202.78	202.54	269.67	222.97
	Loans & Advances	181.73	167.11	474.12	909.63	231.99	294.81
	Deffered Tax Asset	-	3.57	4.18	-	-	-
	Total (C)	1,567.10	2,189.24	2,951.79	3,336.17	3,172.25	3,699.18
	Total Assets (A+B+C)	1,836.14	2502.36	3,410.49	4,755.69	4,649.18	4,956.42
D	Liabilities & Provisions						
	Secured Loans	452.03	328.32	554.25	371.48	28.89	33.54
	Unsecured Loans	-	300.00	150.00	268.00	4.46	-
	11% Cumm.Redeemable Preference Shares	50.00	50.00	-	-	-	-
	Deffered Tax Liability	2.68	-	-	45.99	87.89	107.18
	Current Liabilities	617.77	859.95	1,411.90	2,533.34	1,860.71	1,037.28
	Provision for Taxes	114.38	222.37	27.69	16.14	118.18	55.10
	Provision for Gratuity	-	35.67	53.11	38.13	38.43	31.92
	Other Provisions	2.75	-	15.00	15.00	75.00	-
	Total Liabilities (D)	1,239.62	1,796.30	2,211.95	3,288.08	2,213.55	1,265.02
E	Net Worth (A+B+C-D)	596.53	706.06	1,198.54	1,467.61	2,435.63	3,691.40
F	Represented by						
	Share Capital	50.00	50.00	150.00	150.00	750.00	1,125.00
	Total (A)	50.00	50.00	150.00	150.00	750.00	1,125.00
	Reserves & Surplus	546.53	656.06	1,048.54	1,317.61	1,685.63	2,571.30
	Total (B)	546.53	656.06	1,048.54	1,317.61	1,685.63	2,571.30
	Less: Miscellaneous Expenditure to the extent non written off	-	-	-	-	-	4.90
	Total (C)	-	-	-	-	-	4.90
	Net Worth (A+B-C)	596.53	706.06	1,198.54	1,467.61	2,435.63	3,691.40

Statement of Profit & Loss Account (As Restated)
(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A	Income						
	Sales of Products Manufactured by the Company	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74
	Sales of Products Traded by the Company	-	-	-	-	-	-
	Net Sales	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74
	Other Income	5.19	3.54	11.97	11.41	10.14	85.39
	Increase/(Decrease)In Inventories	118.55	381.47	289.87	(53.87)	(26.90)	(233.92)
	Total (A)	3,189.68	4,539.31	6,308.11	6,881.80	8,678.60	8,657.21
B	Expenditure						
	Materials Consumed	1,390.46	2,212.94	2,723.40	2,806.01	4,015.03	3,614.57
	Wages and Staff Costs	462.60	647.56	809.43	909.48	929.14	880.99
	Other Manufacturing Expenses	127.73	181.62	217.06	270.34	278.09	339.46
	Administrative Expenses	121.59	149.50	255.43	333.97	279.67	241.11
	Selling and Distribution Expenses	570.27	792.26	1,556.65	1,699.54	1,551.58	1,829.43
	Total (B)	2,672.66	3,983.88	5,561.96	6,019.34	7,053.50	6,905.57
C	Profit before Interest, Depreciation and Tax	517.02	555.43	746.15	862.46	1,625.09	1,751.64
	Depreciation	16.94	21.23	27.88	39.45	130.70	102.16
D	Profit Before Interest and Tax	500.09	534.20	718.27	823.01	1,494.40	1,649.48
	Financial Charges	55.26	24.89	64.16	136.50	93.29	44.42
E	Profit After Interest and Before Tax	444.82	509.31	654.11	686.50	1,401.11	1,605.06
	Preliminary Expenses & Def. Exps.W/o	-	-	-	-	-	-
F	Profit Before Taxation	444.82	509.31	654.11	686.50	1,401.11	1,605.06
	Provision for Taxation	157.16	180.91	227.38	112.87	303.73	325.10
	Provision for Deferred Tax	(11.44)	(6.26)	(0.61)	(36.51)	41.90	19.30
	Provision for FBT	7.20	4.00	11.43	8.20	-	-
	Add/Less Adjustments of Prior Year	1.48	1.59	22.34	-	76.51	-
	Total	154.39	180.24	260.54	84.56	422.14	344.39
G	Profit After Tax but before Extraordinary Items	290.43	329.07	393.58	601.94	978.96	1,260.67
	Extraordinary Items	-	-	-	(253.82)	-	-
	Excess Provision for Gratuity	-	-	-	-	25.19	-
	Impact of Material adjustments for Restatement in corresponding years	(1.59)	(10.58)	22.34	(61.50)	51.33	-
H	Net Profit after Adjustments	288.84	318.49	415.92	286.62	1,055.48	1,260.67
	Balance b/fd from prior years	173.20	458.90	518.44	850.91	1,109.99	1,675.63

I	Profit available for Appropriation	462.04	777.39	934.35	1,137.54	2,165.47	2,936.30
	Transferred to -						
	General Reserve	-	50.00	10.00	10.00	10.00	-
	Capital Redemption Reserve	-	-	50.00	-	-	-
	Capitalised on Issue of Bonus Shares	-	-	-	-	392.38	365.00
	Interim Dividend Paid						
	Preference Shares	-	8.25	5.03	-	-	-
	Equity Shares	-	175.00	15.00	-	-	-
	Proposed Dividend Paid						
	Preference Shares	2.75	-	-	-	-	-
	Equity Shares	-	-	-	15.00	75.00	-
	Corporate Dividend Distribution Tax	0.39	25.70	3.40	2.55	12.46	-
J	Net Profit Transferred to Balance Sheet	458.90	518.44	850.91	1,109.99	1,675.63	2,571.30

THE ISSUE

The Issue*	45,50,000 Equity Shares of Face Value of ₹ 10 each aggregating up to ₹ [●]
<i>Of which</i>	
(A) QIB Portion**	Not more than 22,75,000 Equity Shares
<i>Of which</i>	
Available for allocation to Mutual Funds only (5% of the QIB Portion (excluding the Anchor Investor Portion))	1,13,750 Equity Shares
Balance for all QIBs including Mutual Funds	21,61,250 Equity Shares
(B) Non-Institutional Portion	Not less than 6,82,500 Equity Shares
(C) Retail Portion	Not less than 15,92,500 Equity Shares
Equity Shares outstanding prior to the Issue	1,22,50,000 Equity Shares
Equity Shares outstanding after the Issue	1,68,00,000 Equity Shares
Use of Net Proceeds	See the chapter titled – “ Objects of the Issue ” on page 66 of the Red Herring Prospectus for information about use of the Net Proceeds.
Allocation to all categories, except Anchor Investor Protection, if any, shall be made on a proportionate basis.	

* Our Company has allotted 10,00,000 Equity Shares to SCI Growth Investments II pursuant to a Pre-IPO Placement through a board resolution dated February 12, 2011. For details of the investment agreement, please see the chapter titled “**History and Certain Corporate Matters**” on page 128 of the Red Herring Prospectus.

** Our Company may allocate up to 30% of the QIB Portion, to Anchor Investors on a discretionary basis in accordance with the SEBI (ICDR) Regulations. For details see the chapter titled “**Issue Procedure**” on page 271 of the Red Herring Prospectus.

In case of under – subscription, if any, in any of the categories, spillover to the extent of under - subscription shall be permitted from other categories or a combination of categories in the Issue at the discretion of our Company in consultation with the BRLM.

GENERAL INFORMATION

Our Company was constituted under the Companies Act, 1956 on September 29, 1987 as a private limited company under the name and style of Hybo Knit Private Limited. Our name was subsequently changed to Lovable Lingerie Private Limited pursuant to a certificate of change of name dated December 20, 1995. Our Company was converted into a public limited company pursuant to the special resolution passed by the members of our Company on February 8, 2010 and fresh certificate of name change consequent upon conversion of our Company from a private limited company to a public limited company issued by the RoC on April 19, 2010 with the name Lovable Lingerie Limited. Our Company has filed an application with the RoC dated August 21, 2010 for rectification of our Company's name from "*Lovable Lingerie Limited*" to "*Lovable Lingerie Limited*". The RoC has duly rectified the name of the Company from "*Lovable Lingerie Limited*" to "*Lovable Lingerie Limited*". The corporate identification number of our Company is U17110MH1987PLC044835. For further details see the chapter titled "*History & Certain Corporate Matters*" on page 128 of the Red Herring Prospectus.

Registered Office and Corporate Office of our Company

Lovable Lingerie Limited

A - 46, Street No. 2, MIDC, Andheri (East),
Mumbai - 400 093,
Maharashtra, India.
Tel: +91 22 2838 3581
Fax: +91 22 2838 3582
Email: corporate@lovableindia.in
Website: www.lovableindia.in

Our Company is registered with the Registrar of Companies, Maharashtra at Mumbai with the corporate identification number U17110MH1987PLC044835.

The address of the RoC is as follows:

Registrar of Companies, Maharashtra, Mumbai

Everest Building,
100, Marine Drive,
Mumbai 400 002
Maharashtra
India

Board of Directors

The following table sets out the current details regarding our Board as on the date of filing of the Red Herring Prospectus.

S. No.	Name	Designation	DIN	Address
1.	Mr. L. Vinay Reddy	Chairman and Managing Director (Executive, Non independent)	00202619	Excellency CHS Limited, Plot No.75, Lokhandwala Complex, Andheri (W), Mumbai 400 053, Maharashtra, India
2.	Mr. G. Ashok Reddy	Director (Executive, Non independent)	01679165	Flat C 208, Wilson Manor Deluxe Apartment, 13 Cross, Arekempahally, Wilson Garden, Bengaluru 560 027, Karnataka, India
3.	Mr. L. Jaipal Reddy	Director (Executive, Non independent)	01539678	7, Savijay, 29 th Road, Bandra (West), Mumbai 400 050, Maharashtra, India

S. No.	Name	Designation	DIN	Address
4.	Mr. Gopal G. Sehgal	Additional Director (<i>Non executive, Independent</i>)	00175975	505, Riddhi Tower, Riddhi Gardens, Film City Road, Malad (East) Mumbai – 400 097, Maharashtra, India
5.	Mr. Sivabalan P. Pandian	Additional Director (<i>Non executive, Independent</i>)	01573458	J293, Tarapore Garden, Link Road, Andheri (West), Mumbai – 400 053, Maharashtra, India
6.	Mr. Dhanpat M. Kothari	Director (<i>Non executive, Independent</i>)	03032242	Shubh Laxmi, Flat No. 3, Wing B, Plot No. 12B, 8 th Nehru Road, T.P.S. III, Santa Cruz (East) Mumbai – 400 055, Maharashtra, India

For further details in relation to our Board and our Directors please refer to the chapter titled “*Our Management*” on page 140 of the Red Herring Prospectus.

Company Secretary

Mrs. Megha Maheshwari

A - 46, Street No. 2, MIDC, Andheri (East),
Mumbai – 400 093,
Maharashtra, India.

Tel: +91 22 3202 4141

Fax: +91 22 2838 3582

Email: corporate@lovableindia.in

Compliance Officer

Mr. Sunil Shukla

A - 46, Street No. 2, MIDC, Andheri (East),
Mumbai – 400 093,
Maharashtra, India.

Tel: +91 22 3202 4141

Fax: +91 22 2838 3582

Email: corporate@lovableindia.in

Investors can contact the Compliance Officer or the Registrar or the Book Running Lead Manager i.e. Anand Rathi Advisors Limited 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 refunds.

For all Issue related queries and for redressal of complaints, investors may also write to the Book Running Lead Manager. All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Manager, who shall respond to the same.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

Issue Management Team

Book Running Lead Manager

Anand Rathi Advisors Limited

11th Floor, Times Tower, Kamala City,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Maharashtra, India

Tel: +91 22 4047 7000

Fax: +91 22 4047 7070

Email: lovable.ipo@rathi.com

Investor Grievance Email: grievance@rathi.com

Website: www.rathi.com

Contact Person: Mr. Jitendra Verma /
Mr. Ankoor Choudharri

SEBI Registration No.: MB / INM000010478

Registrar to the Issue

Link Intime (India) Private Limited

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

Tel: +91 22 2596 0320

Fax: +91 22 2596 0329

Website: www.linkintime.co.in

Email: lovable.ipo@linkintime.co.in

Contact Person: Mr. Sanjog Sud

SEBI Registration No: INR000004058

Bankers To The Issue

HDFC Bank Limited

FIG-OPS Department, - Lodha,
I Think Techno Campus,
O-3, Level, Next to Kanjurmarg railway station,
Kanjurmarg (East),
Mumbai - 400042

Tel: +91 22 3075 2928

Fax: +91 22 2579 9801

Website : www.hdfcbank.com

Email: deepak.rane@hdfcbank.com

Contact Person: Mr. Deepak Rane

SEBI Registration No.: INBI00000063

IndusInd Bank Limited

Cash Management Services,
IBL House, 1st Floor,
Cross —BII Road, MIDC, J.B. Nagar,
Off Andheri-Kurla Road, Andheri (East)
Mumbai – 400059

Tel.: +91 22 6772 8721

Fax.: +91 22 6641 2349

Website : www.indusind.com

Email: prasanna.vaidyanathan@indusind.com

Contact Person: Mr. Prasanna Vaidyanathan

SEBI Registration No. INBI00000002

Axis Bank Limited

Fortune 2000, Ground Floor, C Wing,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Tel.: +91 22 6148 3126 / 27 / 28

Fax.: +91 22 3062 0069

Website : www.axisbank.com

Email: muneeb.tunekar@axisbank.com

Contact Person: Mr. Muneeb Tunekar

SEBI Registration No. INBI00000017

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on www.sebi.gov.in. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI link.

Legal Advisor to the Issue

Axon Partners LLP

Suite No.603,
Silver Arch,
22, Feroz Shah Road,
New Delhi - 110 001

Tel: +91 11 4332 0000

Fax: +91 11 4332 0015

Email: abhimanyu.bhandari@axonpartners.in

Legal Advisor to our Company

P. H. Bathiya and Associates

2, Tardeo A/C Market,
4th Floor, Tardeo Road,
Mumbai – 400 034

Tel: +91 22 4355 8000

Fax: +91 22 4355 8080

Email: phb@phbathiya.com

Refund Banker(s)

HDFC Bank Limited

FIG-OPS Department, - Lodha,
I Think Techno Campus,
O-3, Level, Next to Kanjurmarg railway station,
Kanjurmarg (East),
Mumbai - 400042

Tel: +91 22 3075 2928

Fax: +91 22 2579 9801

Website : www.hdfcbank.com

Syndicate Member(s)

Anand Rathi Advisors Limited

11th Floor, Times Tower, Kamala City,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Maharashtra, India

Tel: +91 22 4047 7000

Fax: +91 22 4047 7070

Email: lovable.ipo@rathi.com

Investor Grievance Email: grievance@rathi.com

Email: deepak.rane@hdfcbank.com
Contact Person: Mr. Deepak Rane
SEBI Registration No.: INBI00000063

Website: www.rathi.com
Contact Person: Mr. Jitendra Verma /
 Mr. Ankoor Choudharri

Statutory Auditors

M/s Attar & Co.
 228 / 229, Sai Vihar,
 Shivaji Path,
 Kalyan (West) – 421 301
Tel: +91 0251 231 6949
Fax: +91 0251 231 8458
Website: www.attarassociates.com
Email: sanjayg@attarassociates.com
Registration Number with ICAI: 112600 W

Brokers to this Issue

All the members of the recognised stock exchanges would be eligible to act as brokers to the Issue.

Bankers to our Company

Corporation Bank
 Industrial Finance branch,
 Rallaram Building,
 No. 30, Mission Road,
 Bengaluru – 560 027
Contact Person: Mr. Ravikumar
Tel: +91 80 2211 1459
Fax: +91 80 2211 1590
Email: Cb438@corpbank.co.in
Website: www.corpbank.com

Bank of Baroda
 Pb No 1120, 9th Main,
 3rd Block, Jayanagar,
 Bengaluru – 560 011
Contact Person: Mr. S.R. Kamath
Tel: +91 80 2660 3533
Fax: +91 80 2244 7540
Email: jayana@bankofbaroda.com
Website: www.bankofbaroda.com

Statement of Inter Se Allocation of Responsibilities

Since there is only one BRLM to the Issue therefore, there is no *inter se* allocation of responsibilities.

Credit Rating

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

IPO Grading

This Issue has been graded by Credit Analysis & Research Limited (“CARE”) and has been assigned IPO Grade 3 indicating average fundamentals. The IPO grading is assigned on a five point scale from 1 to 5 with an “IPO Grade 5” indicating strong fundamentals and an “IPO Grade 1” indicating poor fundamentals. Attention is drawn to the disclaimer appearing on page 257 of the Red Herring Prospectus. A copy of the report provided by CARE, furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on Working Days during the Bidding Period.

Grading Rationale

The grading factors, the Promoter’s significant experience in the industry, established and wide distribution network, globally successful brand, strong financial profile characterised by comfortable gearing levels, healthy interest – coverage ratio and improvement in margins in FY 10.

The grading assigned is constrained by the Company’s small scale and labour intensive operations, fragmented nature of the industry and attendant project risk.

Trustees

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

Monitoring Agency

There is no requirement for a Monitoring Agency in terms of sub regulation (1) Regulation 16 of SEBI (ICDR) Regulations since the Issue size is less than ₹ 50,000 lacs. The Audit Committee appointed by our Board of Directors will monitor the utilization of the Issue proceeds.

Appraising Agency

Except for the object for expansion of our manufacturing facility at Bengaluru, which has been appraised by Bank of Baroda, none of the Objects of the Issue have been appraised. The contact details of the appraising bank, that is, Bank of Baroda is given below:

Bank of Baroda

Pb No 1120, 9th Main,

3rd Block, Jayanagar,

Bengaluru – 560 011

Tel: +91 80 2660 3533

Email: jayana@bankofbaroda.com

Experts

Except for the IPO grading obtained by CARE, our Company has not obtained any expert opinions.

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 finalised, by our Company in consultation with the BRLM, after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- Our Company;
- Book Running Lead Manager;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank(s);
- Registrar to the Issue; and
- SCSBs

The SEBI (ICDR) Regulations have permitted the Issue of securities to the public through the Book Building Process, wherein not more than 50% of the Issue shall be allotted on a proportionate basis to QIBs, of which 5% (excluding Anchor Investor Portion) shall be reserved for Mutual Funds. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Further, 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. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

Our Company will comply with the SEBI (ICDR) Regulations and any other ancillary directions issued by SEBI from time to time for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

In accordance with the SEBI ICDR Regulations, QIBs bidding in the QIBs portion are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. Since, the Bidding Period for QIBs will close one day prior to the Bid/ Issue Closing Date, QIBs will not be able to withdraw their Bids after March 10, 2011 i.e.,

one day prior to the Bid/ Issue Closing Date. Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Issue Period. Allocation to the Anchor Investors will be on a discretionary basis. For further details, please refer chapter titled “*Terms of the Issue*” on page 264 of the Red Herring Prospectus.

All the Bidders have the option to submit their Bids under the “ASBA Process”, which would entail blocking of funds in the investor’s bank account rather than immediate transfer of funds to the respective Escrow Accounts. **Investors are advised to make their own judgment about investment through the ASBA process prior to submitting an ASBA Bid cum Application Form to a SCSB.**

The process of Book Building under SEBI (ICDR) Regulations is subject to change from time to time and 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 ₹ 20 to ₹ 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 centers during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (₹)	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., ₹ 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut off price, i.e., at or below ₹ 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 for bidding:

1. Check eligibility for making a Bid (see “*Issue Procedure – Who Can Bid?*” on page 272 of the Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form and the ASBA Bid cum Application Form, as the case may be.
3. Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, for Bids of all values, ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form or the ASBA Bid cum Application Form (see “*Issue Procedure – Other Instructions – Permanent Account Number (“PAN”)*” on page 292 of the Red Herring Prospectus);
4. Ensure that the Bid cum Application Form or ASBA Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form or ASBA Bid cum Application Form; and
5. Ensure the correctness of your demographic details (as defined in the “*Issue Procedure-Bidder’s Depository Account and Bank Account Details*” on page 288 of the Red Herring Prospectus) given in the Bid cum Application Form or the ASBA Bid cum Application Form, as the case may be, with the details recorded with your Depository Participant.
6. Bids by QIBs (including Anchor Investors) will only have to be submitted to the BRLM and / or its affiliates or to the Syndicate Member(s), other than Bids by QIBs who Bid through the ASBA process who shall submit the Bids to the Designated Branch of the SCSBs; and

7. Bids by ASBA Bidders will have to be submitted to the Designated Branches of the SCSBs. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission of their bid to ensure that the ASBA Bid cum Application Form is not rejected.

Withdrawal of the Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with the Issue at any time, after the Bid/Issue Opening Date, but before Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre Issue advertisements were published within two days of the Bid/Issue Closing Date / deciding not to proceed with the Issue, providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the same to the stock exchanges on which our Equity Shares are proposed to be listed. Any further issue of Equity Shares by our Company shall be in compliance with applicable laws. If the Issue is withdrawn after the Bid / Issue Closing date, our Company shall be required to file a fresh offer document with SEBI. The BRLM, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the day of receipt of such notification.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON		MARCH 08, 2011*
BID/ISSUE CLOSES ON	FOR QIB BIDDERS	MARCH 10, 2011
	FOR RETAIL AND NON INSTITUTIONAL BIDDERS	MARCH 11, 2011

* Our Company may, in consultation with the BRLM, allocate up to 30% of the QIB Portion, to Anchor Investors on a discretionary basis, in accordance with the SEBI ICDR Regulations. Anchor Investors shall bid on the Anchor Investor Bidding Date, which shall be one Working Day prior to the Bid Opening Date.

Except in relation to the Bids received from the Anchor Investors, Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned in the Bid cum Application Form or, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs, except that on Bid/ Issue Closing Date (which for the QIBs Bidding under the Net QIB Portion which will be a day prior to that of the Bid/ Issue Closing Date), **the Bids shall be accepted only between 10 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded till (i) 4.00 p.m. in case of Bids by QIBs in the Net QIB Portion. On the Bid/ Issue Closing Date for Retail Individual Bidders and Non-Institutional Bidders, the Bids shall be accepted only between 10:00 a.m. and 3:00 p.m. (Indian Standard Time) and uploaded until (i) 4:00 p.m. in case of Bids by Non-Institutional Bidders and (ii) until 5.00 p.m. or until such time as permitted by the BSE and NSE in case of Bids by Retail Individual Bidders. It is clarified that Bids not uploaded in the book, would be rejected. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the BSE and NSE.

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

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid Closing Date, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the BRLM and the Syndicate Members shall not be responsible. Bids will be accepted only on working days, i.e. Monday to Friday (excluding any public holiday).

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders, after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid cum Application Forms and ASBA Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

Our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI (ICDR) Regulations. The Cap Price shall be less than or equal to 120% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price can be revised up or down to a maximum of 20% of the Floor Price as originally disclosed at least two working days prior to the Bid /Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after revision of the Price Band subject to the Bidding 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 Stock Exchanges, by issuing a press release, and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares subject to the Bid Amount payable on such minimum application being in the range of ₹ 5,000 to ₹ 7,000.

Underwriting Agreement

After the determination of the Issue Price and Allocation of our Equity Shares but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be 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 their respective Syndicate Member(s) do not fulfil their underwriting obligations. The underwriting shall be to the extent of the Bids uploaded by the Underwriters including through its Syndicate / sub Syndicate. The Underwriting Agreement is dated [●], and has been approved by our Board of Directors / committee thereof. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

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

(This portion has been intentionally left blank and will be finalized after the pricing and actual allocation of the Equity Shares is determined)

Name, Address, Telephone, Fax and E – mail of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (₹ In Lacs)
[●]	[●]	[●]
[●]	[●]	[●]

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under section 12 (1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above. Notwithstanding the above table, the BRLM and the Syndicate Member(s) 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 respective Underwriter, 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. If the Syndicate Member(s) fails to fulfill its underwriting obligations as set out in the Underwriting Agreement, the BRLM shall fulfill the underwriting obligations in accordance with the provisions of the Underwriting Agreement.

The underwriting arrangements mentioned above shall not apply to the subscriptions by the ASBA Bidders in the Issue. The underwriting agreement shall list out the role and obligations of each Syndicate Member.

CAPITAL STRUCTURE

Our share capital as of the date of the Red Herring Prospectus is set forth below:

(₹ In Lacs, except share data)			
	Particulars	Nominal Value	Aggregate value at Issue Price
A	Authorised Capital		
	1,80,00,000 Equity Shares of the face value of ₹ 10 each	1,800.00	
B	Issued, Subscribed and Paid Up Share Capital before the Issue		
	1,22,50,000 Equity Shares of ₹ 10 each*	1,225.00	
C	Present Issue in terms of the Red Herring Prospectus		
	45,50,000 Equity Shares of ₹ 10 each	455.00	[●]
D	Issued, Subscribed and Paid Up Share Capital after the Issue		
	1,68,00,000 Equity Shares of ₹ 10 each	1,680.00	[●]
E	Share Premium Account		
	Before the Issue	1,900.00	
	After the Issue**		[●]

* Our Company has allotted 10,00,000 Equity Shares to SCI Growth Investments II pursuant to a Pre-IPO Placement through a board resolution dated February 12, 2011. For details of the investment agreement, please see the chapter titled “**History and Certain Corporate Matters**” on page 128 of the Red Herring Prospectus.

** The securities premium account will be determined after completion of the Book Building Process and determination of the Issue Price.

History of change in authorized share capital of our Company

1. The initial authorized capital of ₹ 1,00,000 divided into 1,000 Equity Shares of ₹ 100 each was increased to ₹ 50,00,000 divided into 50,000 Equity Shares of ₹ 100 each pursuant to the resolution of the shareholders dated March 29, 1996.
2. The authorized share capital was further increased from ₹ 50,00,000 divided into 50,000 Equity Shares of ₹ 100 each to ₹ 1,00,00,000 divided into 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares of ₹ 100 each pursuant to the resolution of the shareholders dated March 27, 1997.
3. Pursuant to the redemption of 50,000 Preference Shares of ₹ 100 each vide resolution of the Board of Directors dated February 28, 2008 the authorized share capital of our Company was reclassified from ₹ 1,00,00,000 divided into 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares of ₹ 100 to ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100 each. The reclassification of the authorized share capital of our Company was also approved by the shareholders pursuant their resolution dated March 4, 2008.
4. The authorized share capital was further increased from ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100 each to ₹ 1,50,00,000 divided into 1,50,000 Equity Shares of ₹ 100 each pursuant to the resolution of the shareholders dated March 4, 2008.
5. The authorized share capital was further increased from ₹ 1,50,00,000 divided into 1,50,000 Equity Shares of ₹ 100 each to ₹ 11,00,00,000 divided into 11,00,000 Equity Shares of ₹ 100 each pursuant to the resolution of the shareholders dated September 30, 2009.
6. The authorized share capital was sub-divided from ₹ 11,00,00,000 divided into 11,00,000 Equity Shares of ₹ 100 each to ₹ 11,00,00,000 divided into 1,10,00,000 Equity Shares of ₹ 10 each pursuant to the provisions of section 94(1)(d) of the Companies Act and the resolution of the shareholders dated February 8, 2010.
7. The authorized share capital was further increased from ₹ 11,00,00,000 divided into 1,10,00,000 Equity Shares of ₹ 10 each to ₹ 18,00,00,000 divided into 1,80,00,000 Equity Shares of ₹ 10 each pursuant to the resolution of the shareholders dated September 20, 2010.

Notes to Capital Structure

Share Capital History of our Company

1. Share Capital History of Our Company

- (a) *The following is the history of the equity share capital of our Company since incorporation:*

(₹ In Lacs)

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Nature of Consideration	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital (₹ In Lacs)	Cumulative Share Premium
September 29, 1989	20	100	100	Cash	Subscription to the Memorandum	20	0.02	-
March 29, 1997	49,980	100	100	Cash	Further Allotment ⁽¹⁾	50,000	50.00	-
March 31, 2008	1,00,000	100	100	Cash	Further Allotment ⁽²⁾	1,50,000	150.00	-
February	15,00,000	10	-	-	Sub-division	15,00,000	150.00	-

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Nature of Consideration	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital (₹ In Lacs)	Cumulative Share Premium
8, 2010					of the face value of the Equity Shares from ₹ 100 each to ₹ 10 each ⁽³⁾			
February 25, 2010	60,00,000	10	N.A.	Bonus	Bonus issue in the ratio of 4:1 ⁽⁴⁾	75,00,000	750.00	-
September 20, 2010	37,50,000	10	N.A.	Bonus	Bonus in the ratio of 1:2 ⁽⁵⁾	1,12,50,000	1,125.00	-
February 12, 2010	10,00,000	10	200	Cash	Further allotment ⁽⁶⁾	1,22,50,000	1,225.00	1,900.00

- (1) Allotment of 4,990 Equity Shares to Mr. Jaykumar K. Pathare, 10,000 Equity Shares to Mr. Sunil J. Pathare, 10,000 Equity Shares to Mrs. Lalita J. Pathare, 4,540 Equity Shares to Mr. L. Jaipal Reddy, 10,000 Equity Shares to Mr. L. Prashant Reddy, 5,450 Equity Shares to Mr. L. Vinay Reddy and 5,000 Equity Shares to Mr. L. Venkat Reddy.
- (2) Allotment of 50,000 Equity Shares to Mr. L. Vinay Reddy and 50,000 Equity Shares to Mrs. L. Shobha Reddy.
- (3) The face value of the Equity Shares was sub-divided from ₹ 100 each to ₹ 10 pursuant to the resolution of the shareholders dated February 8, 2010.
- (4) Allotment of 20,88,000 Equity Shares to Mrs. L. Shobha Reddy, 29,99,600 Equity Shares to Mr. L. Vinay Reddy, 8,18,800 Equity Shares to Mr. L. Prashant Reddy, 81,600 Equity Shares to Mrs. Veena Reddy, 4,000 Equity Shares to L. Jaipal Reddy (HUF), 4,000 Equity Shares to L. Vinay Reddy (HUF) and 4,000 Equity Shares to Mrs. L. Taruna Reddy.

The Equity Shares arising out of the bonus issue were allotted by the Board of Directors at their meeting held on February 25, 2010. The Equity Shares arising out of the bonus issue have also been approved by the shareholders pursuant to their resolution dated February 8, 2010.

The Equity Shares arising out of such bonus issue have been issued out of the following:

- (i) Transfer from Capital Redemption Reserve Account: ₹ 50.00 lacs
 - (ii) Transfer from General Reserve Account: ₹ 157.62 lacs
 - (iii) Capitalisation of surplus in Profit & Loss Account: ₹ 392.38 lacs
- (5) Allotment of 13,05,000 Equity Shares to Mrs. L. Shobha Reddy, 18,74,750 Equity Shares to Mr. L. Vinay Reddy, 5,11,750 Equity Shares to Mr. L. Prashant Reddy, 51,000 Equity Shares to Mrs. Veena Reddy, 2,500 Equity Shares to L. Jaipal Reddy (HUF), 2,500 Equity Shares to L. Vinay Reddy (HUF) and 2,500 Equity Shares to Mrs. L. Taruna Reddy.

The Equity Shares arising out of the bonus issue were allotted by the Board of Directors at their meeting held on September 20, 2010. The Equity Shares arising out of the bonus issue have also been approved by the shareholders pursuant to their resolution dated September 20, 2010.

The Equity Shares arising out of such bonus issue have been issued out of the following:

- (i) Transfer from General Reserve Account: ₹ 10.00 lacs
- (ii) Capitalisation of surplus in Profit & Loss Account: ₹ 365.00 lacs

- (6) Allotment of 10,00,000 Equity Shares to SCI Growth Investments II at a price of ₹ 200 per Equity Share amounting to ₹ 2,000 lacs.

(b) *Equity Shares allotted for consideration other than cash:*

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration	Reasons for allotment
February 25, 2010	60,00,000	10	N.A.	Bonus ⁽¹⁾	Bonus issue in the ratio of 4:1
September 20, 2010	37,50,000	10	N.A.	Bonus ⁽²⁾	Bonus issue in the ratio of 1:2

- (1) Allotment of 20,88,000 Equity Shares to Mrs. L. Shobha Reddy, 29,99,600 Equity Shares to Mr. L. Vinay Reddy, 8,18,800 Equity Shares to Mr. L. Prashant Reddy, 81,600 Equity Shares to Mrs. Veena Reddy, 4,000 Equity Shares to L. Jaipal Reddy (HUF), 4,000 Equity Shares to L. Vinay Reddy (HUF) and 4,000 Equity Shares to Mrs. L. Taruna Reddy.
- (2) Allotment of 13,05,000 Equity Shares to Mrs. L. Shobha Reddy, 18,74,750 Equity Shares to Mr. L. Vinay Reddy, 5,11,750 Equity Shares to Mr. L. Prashant Reddy, 51,000 Equity Shares to Mrs. Veena Reddy, 2,500 Equity Shares to L. Jaipal Reddy (HUF), 2,500 Equity Shares to L. Vinay Reddy (HUF) and 2,500 Equity Shares to Mrs. L. Taruna Reddy.

(c) *The following is the history of the preference share capital of our Company since incorporation:*

(₹ In Lacs)

Date of allotment of the Preference Shares	No. of Preference Shares	Face Value (in ₹)	Issue / Redemption Price (in ₹)	Nature of Consideration	Reasons for allotment	Cumulative number of Preference Shares	Cumulative Issued Capital (₹ In Lacs)	Cumulative Share Premium
March 29, 1997	50,000	100	100	Cash	Further Allotment ⁽¹⁾	50,000	50.00	-
February 28, 2008	(50,000)	100	100	Cash	Redemption of Preference Shares ⁽²⁾	-	-	-

- (1) Allotment of 10,000 Preference Shares to Mr. L. Jaipal Reddy, 4,000 Preference Shares to Mr. L. Venkat Reddy, 17,000 Preference Shares to Kolhapur Holding Private Limited, 18,000 Preference Shares to Padakkal Holding Private Limited and 1,000 Preference Shares to Mrs. L. Shobha Reddy.
- (2) The Board of Directors at their meeting held on February 28, 2008 redeemed the entire paid up Preference Share capital of our Company and reclassified the authorized share capital of our Company to ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100 each.

- (d) No Equity Shares have been allotted pursuant to any scheme approved under section 391 – 394 of the Companies Act.
- (e) Except as disclosed above, our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
- (f) None of the Equity Shares have been allotted pursuant to any employee stock option scheme.
- (g) As of the date of the Red Herring Prospectus, none Equity Shares have been issued for a price lower than the Issue Price during the preceding the one year.

2. Our Company presently does not intend or propose to alter its capital structure for a period of six months from the Bid/Issue Opening Date, 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.

Additionally, if our Company enters into acquisitions or joint ventures, we may, subject to necessary approvals, consider using our Equity Shares as currency for acquisitions or participation in such joint ventures we may enter into and/or we may raise additional capital to fund accelerated growth.

3. Promoter's Contribution and Lock-in

(a) History of the share capital held by the Promoter

Date of allotment / acquisition and when made fully paid-up	No. of Equity Shares	Face Value (in ₹)	Consideration (₹ In Lacs)	Nature of consideration	Nature of transaction
Mr. L. Vinay Reddy					
March 29, 1997	5,450	100	5.45	Cash	Allotment
November 24, 2005	(5,450)	100	(5.45)	Cash	Transfer to Mr. L. Prashant Reddy.
March 31, 2008	50,000	100	50.00	Cash	Allotment
June 26, 2008	10,000	100	75.30	Cash	Transfer by Mrs. Lalita J. Pathare
June 26, 2008	10,000	100	75.30	Cash	Transfer by Mr. Sunil J. Pathare
June 26, 2008	4,990	100	37.57	Cash	Transfer by Mr. Jaykumar K. Pathare
Sub Total	74,990				
February 8, 2010	7,49,900	10	Nil	-	Sub-division of the face value of the Equity Shares from ₹ 100 each to ₹ 10 each
February 25, 2010	29,99,600	10	Nil	Other than cash	Bonus issue in the ratio of 4:1
September 20, 2010	18,74,750	10	Nil	Other than cash	Bonus issue in the ratio of 1:2
Total	56,24,250				

(b) Details of the Promoter contribution locked in for three years

Pursuant to Regulations 32 and 36 of the SEBI (ICDR) Regulations, an aggregate of 20% of the fully diluted post-Issue capital of our Company held by the Promoter shall be locked in for a period of three years from the date of Allotment of Equity Shares in the Issue and the Promoter shareholding in excess of 20% shall be locked-in for a period of one year.

The Equity Shares, which are being locked-in, are not ineligible for computation of minimum promoter contribution under Regulation 33 of the SEBI (ICDR) Regulations.

The details of such lock-in are given below:

Name	Date of allotment / acquisition and when made fully paid-up	Nature of allotment	Nature of consideration	No. of shares locked in*	Face value (₹)	Issue / Purchase price (₹)	Percentage of post-Issue paid up capital (%)
Mr. L. Vinay Reddy	February 25, 2010	Bonus	Other than cash	29,99,600	10	Nil	17.85
	September 20, 2010	Bonus	Other than cash	3,94,000	10	Nil	2.35
Total				33,93,600			20.20

* - The lock-in for the abovementioned Equity Shares will commence from the date of Allotment in the Issue.

- (i) The Promoter contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoter under the SEBI (ICDR) Regulations.
- (ii) Our Company has obtained specific written consent from our Promoter for inclusion of the Equity Shares held by them in the minimum Promoter's contribution subject to lock-in. Further, our Promoter have given undertakings to the effect that they shall not sell/transfer/dispose of in any manner, Equity Shares forming part of the minimum Promoter's contribution from the date of filing the Red Herring Prospectus till the date of commencement of lock-in in accordance with SEBI (ICDR) Regulations.
- (iii) Other than the Equity Shares locked-in as Promoter's contribution for a period of three years as stated in the table above, the entire pre-Issue capital of our Company including the excess of minimum Promoters' Contribution, as per Regulation 36 and 37 of the SEBI (ICDR) Regulations, shall be locked in for a period of one year from the date of Allotment of Equity Shares in the Issue.
- (iv) The Equity Shares issued and allotted in the Pre - IPO Placement will be locked in for a period of one year from the date of Allotment of Equity Shares in the Issue.
- (v) Any Equity Shares allotted to Anchor Investors in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.
- (vi) In terms of Regulation 40 of the SEBI (ICDR) Regulations:
 - the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares of our Company which are locked-in as per Regulation 37 of the SEBI ICDR Regulations, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations.
 - the Equity Shares held by the Promoter may be transferred to the Promoter Group or to a new promoter or persons in control of our Company which are locked-in as per Regulation 36 of the SEBI (ICDR) Regulations, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations.
- (vii) Locked-in Equity Shares of our Company held by the Promoter can be pledged with scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan. Further, the Equity Shares constituting 20% of the fully diluted post-Issue capital of our Company held by

the Promoter that are locked in for a period of three years from the date of Allotment of Equity Shares in the Issue, may be pledged only if, in addition to complying with the aforesaid conditions, the loan has been granted by the banks or financial institutions for the purpose of financing one or more objects of the Issue.

4. The shareholding pattern of our Company

The table below presents our shareholding pattern prior and post the Issue:

(Equity Shares of face value ₹ 10 each)

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares (Pre Issue)		Total shareholding as a percentage of total number of shares (Post Issue)	
					As a percentage of (A+B)	As a percentage of (A+B+C)	As a percentage of (A+B)	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	7	1,12,50,000	1,12,50,000	91.84	91.84	66.96	66.96
(b)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(c)	Bodies Corporate	-	-	-	-	-	-	-
(d)	Financial Institutions/ Banks	-	-	-	-	-	-	-
(e)	Any Others(Specify)	-	-	-	-	-	-	-
	Sub Total(A)(1)	7	1,12,50,000	1,12,50,000	91.84	91.84	66.96	66.96
2	Foreign							
A	Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-	-	-	-	-
B	Bodies Corporate	-	-	-	-	-	-	-
C	Institutions	-	-	-	-	-	-	-
D	Any Others(Specify)	-	-	-	-	-	-	-
	Sub Total(A)(2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	7	1,12,50,000	1,12,50,000	91.84	91.84	66.96	66.96

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares (Pre Issue)		Total shareholding as a percentage of total number of shares (Post Issue)	
					As a percentage of(A+B)	As a percentage of (A+B+C)	As a percentage of(A+B)	As a percentage of (A+B+C)
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	-	-	-	-	-		
(b)	Financial Institutions / Banks	-	-	-	-	-		
(c)	Central Government/ State Government(s)	-	-	-	-	-		
(d)	Venture Capital Funds	-	-	-	-	-		
(e)	Insurance Companies	-	-	-	-	-		
(f)	Foreign Institutional Investors	1	10,00,000	10,00,000	8.16	8.16		
(g)	Foreign Venture Capital Investors	-	-	-	-	-		
(h)	Any Other (specify)	-	-	-	-	-		
(h1)	NRI Banks	-	-	-	-	-		
	Sub-Total (B)(1)	1	10,00,000	10,00,000	8.16	8.16		
3								
B 2	Non-institutions							
(a)	Bodies Corporate	-	-	-	-	-		
(b)	Individuals							
I	Individual shareholders holding nominal share capital up to ₹ 1 lac	-	-	-	-	-		
II	Individual shareholders holding nominal share capital in excess of ₹. 1 lac	-	-	-	-	-		
(c)	Any Other (specify)	-	-	-	-	-		
(c-i)	Individual Directors	-	-	-	-	-		
(c-ii)	NRI	-	-	-	-	-		
(c-iii)	OCB's	-	-	-	-	-		
(c-iv)	Trust	-	-	-	-	-		

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33.04

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares (Pre Issue)		Total shareholding as a percentage of total number of shares (Post Issue)	
					As a percentage of (A+B)	As a percentage of (A+B+C)	As a percentage of (A+B)	As a percentage of (A+B+C)
(c-v)	Clearing members	-	-	-	-	-	-	-
	Sub-Total (B)(2)	Nil	Nil	Nil	Nil	Nil		
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	Nil	Nil	Nil	Nil	Nil	33.04	33.04
	TOTAL (A)+(B)	8	1,22,50,000	1,22,50,000	100.00	100.00	100.00	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	Nil	Nil	Nil	Nil	Nil	-	-
	GRAND TOTAL (A)+(B)+(C)	8	1,22,50,000	1,22,50,000	100.00	100.00	100.00	100.00

5. Equity Shares held by top 10 shareholders

(a) As of the date of the Red Herring Prospectus

S. No.	Name of the shareholder	No. of Equity Shares held	Percentage (%)
1.	Mr. L. Vinay Reddy	56,24,250	45.91
2.	Mrs. Shobha J. Reddy	39,15,000	31.96
3.	Mr. Prashant J. Reddy	15,35,250	12.53
4.	SCI Growth Investments II	10,00,000	8.16
5.	Mrs. Veena Reddy	1,53,000	1.25
6.	Mrs. Taruna V. Reddy	7,500	0.06
7.	L. Vinay Reddy (HUF)	7,500	0.06
8.	L. Jaipal Reddy (HUF)	7,500	0.06
Total		1,22,50,000	100.00

(b) As of 10 days prior to the date of the Red Herring Prospectus

S. No.	Name of the shareholder	No. of Equity Shares held	Percentage (%)
1.	Mr. L. Vinay Reddy	56,24,250	45.91

S. No.	Name of the shareholder	No. of Equity Shares held	Percentage (%)
2.	Mrs. Shobha J. Reddy	39,15,000	31.96
3.	Mr. Prashant J. Reddy	15,35,250	12.53
4.	SCI Growth Investments II	10,00,000	8.16
5.	Mrs. Veena Reddy	1,53,000	1.25
6.	Mrs. Taruna V. Reddy	7,500	0.06
7.	L. Vinay Reddy (HUF)	7,500	0.06
8.	L. Jaipal Reddy (HUF)	7,500	0.06
Total		1,22,50,000	100.00

(c) *As of two years prior to the date of the Red Herring Prospectus*

S. No.	Name of the shareholder	No. of Equity Shares held*	Percentage (%)
1.	Mrs. L. Shobha Reddy	52,500	35.00
2.	Mr. L. Vinay Reddy	74,990	49.99
3.	Mr. L. Prashant Reddy	20,470	13.65
4.	Mrs. Veena Reddy	2,040	1.36
Total		1,50,000	100.00

* - Equity Shares of the face value of ₹ 100 each

6. Details of Equity Shares held by our Directors and KMPs

The table below sets forth the details of Equity Shares that are held by our Directors and Key Management Personnel:

S. No.	Name	No. of Equity Shares held	Pre-Issue Equity Share capital %	Post-Issue Equity Share capital %
1.	Mr. L. Vinay Reddy	56,24,250	45.91	33.48

7. As of the date of the Red Herring Prospectus none of the Promoter, Directors and their immediate relatives, directors of the Promoter Group entities have not undertaken any transaction of Equity Shares during a period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI.
8. There are no financing arrangements whereby the Promoter, the Promoter Group, the directors of our Company or their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing draft offer document with SEBI.
9. For details on the individual allotments made since the incorporation of our Company please refer to page 56 of the Red Herring Prospectus.
10. Our Company, the Directors and the BRLM have not entered into any buy-back arrangements and/or safety net facility for the purchase of Equity Shares from any person.
11. Over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalising the basis of Allotment.
12. The Equity Shares offered through this Issue will be made fully paid up or may be forfeited within 12 months from the date of Allotment of the Equity Shares in the manner specified in Regulation 17 of the SEBI (ICDR) Regulations.

13. Under-subscription, if any, in any category, would be met with spill over from other categories or combination of categories at the discretion of our Company in consultation with the BRLM.
14. As of the date of the Red Herring Prospectus, there are no outstanding warrants, options or other financial instruments or rights that may entitle any person to receive any Equity Shares in our Company.
15. As of the date of the Red Herring Prospectus, the BRLM or its associates do not hold any Equity Shares in the Issuer.
16. As of the date of the Red Herring Prospectus, no Equity Shares have been issued pursuant to any employee stock option or employee stock purchase scheme in the last three years.
17. Our Company has not raised any bridge loans against the proceeds of the Issue.
18. Except as disclosed in the Red Herring Prospectus, there will 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 the Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
19. The Equity Shares held by our Promoter are not subject to any pledge.
20. This Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue will be allocated on a proportionate basis to QIBs. Provided that our Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis. 5% of the QIB Portion less Anchor Investor Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to all the QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, 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.
21. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
22. Our Promoter and members of our Promoter Group will not participate in the Issue.
23. There will be only one denomination of Equity Shares unless otherwise permitted by law and our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
24. Our Company, our Directors, our Promoter or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue except as disclosed in the Red Herring Prospectus.
25. For details of our related party transactions, see the chapter titled “*Related Party Transactions*” on page 159 of the Red Herring Prospectus.
26. Our Company has eight shareholders as of the date of the Red Herring Prospectus.
27. In respect of various agreements entered into by our Company with the lenders and the sanction letters issued by the lenders, our Company is bound by certain restrictive covenants. Pursuant to the above, we have obtained prior written approval from the lenders namely Bank of Baroda and Corporation Bank.

For further details on the restrictive covenants contained in the various financing documents, please refer to the chapter titled “*Financial Indebtedness*” on page 223 of the Red Herring Prospectus.

OBJECT OF THE ISSUE

The objects of the Issue are as provided below:

1. Setting up of a manufacturing facility to create additional capacity at Bengaluru;
2. Expenses to be incurred for Brand Building;
3. Brand Development expenses for our “College Style” brand;
4. Investment in Joint Venture;
5. Setting up of Exclusive Brand Outlets (“EBO’s”);
6. Setting up of retail store modules for “shop-in-shop”;
7. Up gradation of design studios;
8. General corporate purpose; and
9. Public issue expenses

(Collectively referred to hereinafter as the “Objects”)

The other objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on BSE and NSE. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

The main object clause of Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Issue.

***Note:** The estimations for the requirement of plant, equipment and machinery enumerated below based on quotations and /or our internal estimates which are based on prevailing market prices of manufacturers/ suppliers of equipment. Wherever we have relied upon quotations, we have specified the necessary details in relation to the date and supplier.*

All the plant and machinery required to be purchased pursuant to the objects of the Issue will be sourced domestically and internationally. Further, all the plant and machinery intended to be purchased pursuant to the objects of this Issue are proposed to be new plant & machinery, and Our Company does not intend to purchase any second hand plant or machinery.

Requirement of funds and means of finance

The following table sets forth the requirement of funds and means of finance as estimated by our management:

Requirement of Funds

		(₹ In Lacs)
S. No.	Particulars	Amount
A.	Setting up of manufacturing facility to create additional capacity at Bengaluru	2,284.93
B.	Expenses to be incurred for Brand Building	1,800.00
C.	Brand Development expenses for our “College Style” brand	600.00
D.	Investment in Joint Venture	2,500.00
E.	Setting up of Exclusive Brand Outlets (“EBO’s”)	1,412.18
F.	Setting up of retail store modules for “shop-in-shop”	361.00
G.	Up gradation of design studios	759.52
H.	General corporate purpose	[●]*
	Gross proceeds to be raised through this Issue (“Issue Proceeds”)	[●]*
I.	Public Issue expenses	[●]*
	Net proceeds of the Issue after deducting the Public Issue Expenses from the Issue Proceeds (“Net Proceeds”)	[●]*

* - Issue expenses, and consequently total funds required would be updated prior to filing the Prospectus with RoC. As on February 15, 2011, our Company has incurred an amount of ₹ 89.66 lacs towards issue expenses. The gross proceeds to be raised from this Issue also includes the amount received pursuant to the Pre-IPO Placement.

Means of Finance

(₹ In Lacs)

S. No.	Particulars	Amount
A.	Initial Public Offer	[●]*
B.	Pre-IPO Placement	2,000.00
C.	Term loan	1,632.55
D.	Internal Accruals	[●]*
Total		[●]*

* To be finalized upon determination of the Issue Price.

The Objects of the Issue will be funded through the issue proceeds and term loan. The shortfall, if any, will be met out of our existing identifiable internal accruals. Our internal accruals as on December 31, 2010 are ₹ 2,571.30 lacs as certified by our statutory auditors M/s Attar & Co vide their certificate dated February 15, 2011.

Our Company confirms that it has made firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed public issue, have been made.

No part of the Issue Proceeds will be paid by us as consideration to our Promoter, Directors, key management personnel or companies promoted by our Promoter, except in the course of normal business.

The fund requirement and deployment are based on internal management estimates, vendor quotations and have not been appraised by any bank or financial institution or any independent organization, except for the appraisal report provided by Bank of Baroda for setting up additional manufacturing facility at Bengaluru. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with by surplus funds, if any available in our Company's internal accrual and/ or debt that may be availed from the banks/ financial institutions. These estimates are subject to change taking into consideration variations in costs and other external factors which may not be within our control or as a result of changes in our financial condition, business or strategy. Our management will have the discretion to revise our business plans from time to time and consequently our funding requirements and deployment of funds may also change. This may result in rescheduling the proposed utilisation of the proceeds and increasing or decreasing expenditure for a particular object vis-a-vis the utilisation of the proceeds. For instance, we may also reallocate expenditure to the other activities, in the case of delays in our existing plans or proposed activities. Any such change in our plans may require rescheduling of our expenditure, programs, starting projects or capital expenditure programs which are not currently planned, discontinuing existing plans or proposed activities and an increase or decrease in the capital expenditure programs for the objects of the Issue, at the discretion of our Company.

Details of the Objects of the Issue

A. Setting up of manufacturing facility to create additional capacity at Bengaluru

Our Company is headquartered in Mumbai, Maharashtra and has three (03) manufacturing facilities of which two (02) are situated at Kanakapura road in Bengaluru, and one (01) is situated in Roorkee, Uttarakhand. Our two (02) manufacturing facilities situated in Bengaluru, Karnataka commenced operations in the year 1995 and 2005, respectively and have a total installed capacity of 30 lacs pieces each per annum to manufacture brassieres and panties. The manufacturing unit situated at Roorkee, Uttarakhand commenced operation in February, 2010 and has an installed capacity of 7.5 lacs pieces per annum to manufacture brassieres and panties.

In value terms the lingerie industry grew at a rate of 16.8 % over the last four years (2006-2009). Going forward, the lingerie industry in India is expected to grow at a CAGR of 18.3 % over the period 2009-2014 (*Source: CARE Report*). Identifying this opportunity, our Company proposes to implement a project for modernization and integration at a new location in Uttarahalli Hobli, , Bengaluru which will result in modernization and increase in capacity by 25 lacs pieces per annum.

Appraisal

Setting up of this additional manufacturing facility at Bengaluru has been appraised by Bank of Baroda, Project Finance Department vide appraisal report dated December 05, 2009. The details of which are as follows:

(i) *Scope and purpose of the appraisal*

To part finance the capital cost for setting up of an additional manufacturing facility at Bengaluru.

There has been a revision in the project cost to the extent of the additional cost to be incurred for the acquisition of land situated at Thalaghattapura village, Uttarahalli Hobli, Bangalore South Taluk. Our Company vide letter dated February 16, 2011 has intimated Bank of Baroda, Project Finance Department on the said development.

(ii) *Weakness and threats of setting up of additional manufacturing facility, as per the appraisal report, is as follows:*

Weakness:

With the economic slowdown the expected sales volume may not be as per the plan. There can be under utilization of the manufacturing capacity being built up. Increased competition may lead to lower margins due to larger spends on advertising and promotions.

Threats:

Competition and entry of new entrants.

For the purpose of this project, our Company had previously executed an agreement dated October 16, 2010 with Mr. C. Aswath for acquisition of the land to the extent of 14,560 square feet under survey no. 2/4 Doddakalasandra, Bengaluru South. The said land is currently under dispute. However, to maintain our time schedules for this project our Company has identified an alternative site and has entered into a memorandum of understanding dated February 10, 2011 with Mr. Amruth Raj, whereby our Company has agreed to purchase a land situated at Sy. No. 10/8B to the extent of 21,520 Sq ft at Thalaghattapura village, Uttarahalli Hobli, Bangalore South Taluk for a consideration of ₹ 200 lacs. For further details please refer to the chapter titled “*History and Certain Corporate Matters*” on page 128 of the Red Herring Prospectus.

Our Company proposes to construct a building of 39,808 square feet for the manufacturing of women’s innerwear products at an estimated cost of ₹ 543.00 lacs which has been certified by Mr. Raju R., Civil Engineer.

The following is the detailed break-up of cost involved in setting up of an additional manufacturing facility unit, Bengaluru as per the appraisal report:

Bengaluru as per the appraisal report.

	(₹ In Lacs)
Particulars	Amount
Bengaluru	
Land 21,520 Sq ft at Sy. No. 10/8B at Thalaghattapura village, Uttarahalli Hobli, Bangalore South Taluk	200.00
Building 39,808 sq ft @ 985 per sq ft	543.00
Plant and Machinery	1,515.93
Furniture and Fixture	14.00
Electrical Installations	12.00
Total	2,284.93

The cost of project will be met out of the term loan sanctioned by Bank of Baroda amounting to ₹ 1,632.55 lacs and the balance through the proceeds of the issue.

(a) **Details of machineries proposed to be acquired for the proposed production facility:**

S. No	Particulars of machine	Date of quotation	Units	Total cost (₹ In Lacs)	Supplier
1.	Brand knife	September 21, 2010	14	79.03	Juki India Private Limited
2.	Straight knife	September 21, 2010	10	17.56	Juki India Private

S. No	Particulars of machine	Date of quotation	Units	Total cost (₹ In Lacs)	Supplier
					Limited
3.	Moulding machine	September 22, 2010	14	320.04	Triopan AG
4.	Single needle	September 21, 2010	220	308.26	Juki India Private Limited
5.	Double needle	September 21, 2010	103	181.98	Juki India Private Limited
6.	Zig Zag	September 23, 2010	104	364.0	Turel Sales Corporation
7.	Flat lock	September 23, 2010	42	53.54	Turel Sales Corporation
8.	Over lock	September 23, 2010	25	40	Turel Sales Corporation
9.	Racing	September 21, 2010	4	12.0	Juki India Private Limited
10.	Bar track	September 23, 2010	10	71.33	Turel Sales Corporation
11.	Bra attending	September 21, 2010	3	3.45	Juki India Private Limited
12.	4 thread O/L	September 23, 2010	15	22.50	Turel Sales Corporation
13.	Generator (500 KVA)	October 22, 2010	1	27.02	Maxwell Diesel Systems Private Limited
14.	Air compressor	October 22, 2010	1	15.22	Hillman Engineering Company
Total				1,515.93	

- (b) Our Company has estimated a cost of ₹ 14.00 lacs towards purchase of furniture and fixtures and ₹ 12.00 lacs towards electrical installations for this manufacturing unit.

Schedule of implementation

Activity	Start Date	End Date
Acquisition of land	February 2011	April 2011
Site Development	April 2011	May 2011
Civil Works	May 2011	September 2011
Placement of orders for machineries	August 2011	October 2011
Erection of machineries	November 2011	November 2011
Trial run	December 2011	December 2011
Commercial Production	January 2012	-

B. Expenses to be incurred for Brand Building

Our Company's brand strategies are aimed at following objectives:

1. Establish lifestyle positioning attributes
2. Retain and develop our customers
3. National level advertising for our brands

In the women's premium innerwear segment, our Company intends to make further investment in strengthening the brand equity and the lifestyles attributes of the "Lovable" brand by increasing its advertising and marketing activities. Our Company also intends to venture into leisure wear for women under our "Lovable" brand. The higher lifestyle connotation of the innerwear brand will enable the brand to be labelled on more products segments as a branded product. Our mid segment innerwear brand "Daisy Dee" is a brand that denotes specific products with their

differentiated propositions through its various sub-brands. We intend to increase the presence of our “Daisy Dee” brand nationally with an increased level of advertising and publicity that would be required to support its market spread. For scaling up our existing brands and extending them to more product categories and for launches of new brands, significant launch advertising budget will be expended upfront for creation of brand recognition in short time. Thus, our brand’s goodwill will be created which will get capitalized in future years by increase in sales and distribution penetration. We believe that the continuous branding exercise will enhance the recall value in the minds of customers and will help in increasing demand for our product. The brand building exercise is a part of that initiative that we believe would enable greater visibility for our products on the retail shelf. We have budgeted a brand building exercise for our “Lovable” and “Daisy Dee” brand of ₹ 1,800 lacs spread over a period of two (02) years in addition to the marketing spend that is part our existing business plan. The amount of ₹ 1,800 lacs to be incurred on brand building exercise have been based on quotation dated October 19, 2010 received from Advertising Avenues (India) Private Limited.

Our marketing budget includes brand ambassador’s fee, advertising on television, advertising in lifestyle magazines, supplements of news papers, billboards consumer promotions etc. We intend to use a significant portion of the proceeds from the Issue for costs incurred towards scaling up our existing brands and extending them to more product categories and for launches of new brands. These costs are in the nature of advertising and brand building expenses and will not result in the creation of any tangible assets. Going forward, our Company proposes to engage in expanding our branding and marketing initiatives by expending the following amounts:

(₹ In Lacs)

Particulars	Amount
Advertising on television /advertising in lifestyle magazines supplements of news papers/billboards consumer promotions/brand ambassador	1,800.00

(₹ In Lacs)

S. No.	Particulars	Proposed deployment		
		FY 2011	FY 2012	FY 2013
1.	Brand ambassador (Event Sponsorship)	-	75.00	70.00
2.	Television advertising	130.00	600.00	250.00
3.	Advertising in lifestyle magazines	20.00	115.00	65.00
4.	Advertising in lifestyle supplements of news papers	50.00	230.00	140.00
5.	Public relations	-	30.00	25.00
	Total	200.00	1,050.00	550.00

C. Brand Development expenses for our “College Style” brand

India is witnessing the baby boomer effect - the proportion of young earning population is relatively high. Compared to the world’s median age of 28.1 years, the median age of Indian populace stands at 25.1 years. Considering the huge size of the Indian women population, the lower median age implies a very large market opportunity for branded and lifestyle lingerie, as the youngsters are more brand conscious and have the eagerness to spend on the lifestyle products. Impulsive buying is the highest amongst the youth due to more usage of plastic card now-a-days. (Source: CARE Report)

Our Company intends to expand its current product portfolio to cater to the younger generation. Envisaging the potential of this segment, our Company has acquired the brand “College Styles” from Levitus Trading Limited, Hong Kong for ₹ 890.00 lacs through a deed of assignment dated March 17, 2009 to cater to the young segment of India.

Our Company intends to foray into this segment by increasing the market presence of its affordable innerwear brand for the young women, “College Style”, focusing exclusively on meeting the need of this segment.

In Fiscal 2010, our Company initiated the test marketing for our brand “College Style” in the states of Andhra Pradesh and Karnataka and considering the response and feedback received, we propose a pan India launch through our existing distribution channel and marketing setup. To support the national launch, we propose to initiate adequate brand building and consumer awareness events. Our brand building exercise would include event

sponsorship, advertising on television, advertising in lifestyle magazines, supplements of news papers, billboards consumer promotions etc.

For the same, we intend to utilize an amount of ₹ 600.00 lacs on “College Style’s” brand development which is based on the quotation dated October 19, 2010 received from Advertising Avenues (India) Private Limited. Our Company proposes to engage in expanding our branding and marketing initiatives by expending the following amounts:

Particulars	Amount (₹ In Lacs)
Advertising on television /advertising in lifestyle magazines /billboards consumer promotions/event sponsorship	600.00

		(₹ In Lacs)	
S. No.	Particulars	Proposed deployment	
		FY 2011	FY 2012
1.	Event Sponsorship	-	100.00
2.	Television advertising	190.00	260.00
3.	Advertising in lifestyle magazines	30.00	20.00
Total		220.00	380.00

D. Investment in Joint Venture

Our Company entered into a joint venture agreement dated July 15, 2010 (“JVA”), with Lifestyle Galleries of London Ltd., a company incorporated in the United Kingdom (“LGL”), to establish a joint venture company in India by the name of ‘Lovable Lifestyles Private Limited’ (“**Lovable Lifestyles**”), for the purpose of carrying on marketing, manufacturing, distribution and direct retail in the super premium segment in India and other contracted territories to be decided between the parties, of the product lines of LGL in the categories of personality grooming/style, lifestyle enhancement and beauty, including but not limited to, women’s intimate apparels as well as men’s undergarments under the ‘*London Calling*’ brand in India.

Under the JVA, our Company has agreed to acquire a 90% stake in the issued share capital of Lovable Lifestyles for a total cash consideration of ₹ 2,500 lacs, while LGL shall acquire the remaining 10% of the issued share capital of the Lovable Lifestyles.

LGL has agreed to license its know-how and trademark to Lovable Lifestyles and assign in perpetuity the ‘*London Calling*’ brand to Lovable Lifestyles. LGL has also agreed to provide brand assets inputs including franchisees definition, character, tone and positioning input for the “London Calling” brand, imagery instruction, product styling and range structure direction, packaging and merchandising guidelines, direct retail store architectural design structure, technical developments support in manufacturing assistance and training to Lovable Lifestyles, as and when necessary.

Lovable Lifestyle will leverage our Company’s distribution channel, consumer knowledge and will launch lifestyle product lines in the categories and services of fashion apparel, personality grooming / style, lifestyle enhancement and beauty. Complete product lines that are developed in the United Kingdom by Lifestyle Galleries would also be made available to Lovable Lifestyle. Our Company will provide the strategic direction in the Indian context and will control the day-to-day management of Lovable Lifestyle. Our Company intends to optimize the luxury women’s innerwear segment based on factors peculiar to the Indian consumer market. Our Company will also utilize its sales and distribution synergies to be leveraged by Lovable Lifestyle, including domestic assembly of products.

Rationale for the Investment in Joint Venture

The JV will provide avenues for diversification to other lifestyle products using the existing customer base of our Company. The higher end life style products and accessories which will be manufactured in India and exported to overseas markets, will give our Company access to overseas market thereby increasing revenues. Further, the diversified product range that Lovable Lifestyles proposes to have will optimize our Company’s retailing presence along with retail space optimization of exclusive brand outlets and offering wider range of products under one roof.

Our Company intends to utilise ₹ 2,500 lacs from the Net Proceeds of the Issue towards investment in the Joint venture. Our Company proposes to commence business operations of Lovable Lifestyles once it's marketing survey and business plan is finalized.

Modus operandi for commencing operations in Lovable Lifestyles

- Market survey to be conducted to identify the range of products and the territories
- Based on market survey findings, identify lifestyle products to be introduced in the domestic and overseas markets using existing marketing and distribution setup of our Company.
- Products to be suitably branded category wise.
- On assurance of products acceptability and the market size options of setting up own manufacturing to be explored with technical & training assistance from LGL

Further Our Company is not sure of any dividends/returns arising out of the investments in the equity shares of Lovable Lifestyles, which are proposed to be acquired.

Schedule of Implementation

The implementation schedule is as under:

Activity	Start Date	End Date
Execution of Joint Venture Agreement	-	Executed
Commence Market Survey	December 2010	March 2011
Commence business plan detailing and finalization	March 2011	June 2011
Trial and commercial marketing	September 2011	-

E. Setting up of Exclusive Brand Outlets (EBOs)

Our Company gradually intends to expand our retailing space and increase our forward integration even beyond the concessionaire retailing model. Our Company is observing and participating in various innerwear retailing formats as they develop and mature, therefore learning retailing ropes while executing the concessionaire retailing model. Our Company intends to develop the EBO concept that will be a specialty women's innerwear retailing model and that will retail our Company's innerwear brands, the other brands that we propose launch in future and also retail the related categories of products that our Company proposes to venture into like sleepwear, homewear, slips, etc. Our Company believes that this retailing concept will increase the retailing presence and space dedicated to our brands and will also enhance their brand image besides increase in revenues.

Currently, our Company does not operate through any EBO's. However, to strengthen availability of entire product range and styles, our Company proposes to open various EBOs spread over a period of two years. In its first phase our Company proposes to open 60 EBO's at an estimated cost of ₹ 1,412.18 lacs. These EBOs would be set up by selected franchisees at selected areas and our Company would support these franchisees with interior fit outs and publicity materials.

As on date of filing the Red Herring Prospectus, our Company is yet to identify the locations for setting up of the EBOs and have not entered into any letter of intent, memorandum of understanding or an agreement to setup the Exclusive Brand Outlets and is in the process of identifying suitable locations for setting up of the EBOs. However, Our Company has developed zone-wise plan which are detailed in the table below:

Particulars	Domestic (Indian Market – Zone wise)				Total
	North	South	East	West	
Exclusive Brand Outlets	20	18	7	15	60

Our Company intends to utilize approximately ₹ 1,412.18 lacs on setting up of 60 EBOs based on quotation received from Retail Display Solutions dated October 3, 2010, which are detailed as below:

		(₹ In Lacs)
Particulars	Amount	
30 stores of 450 sq. ft to 500 sq. ft @ ₹ 8,57,120		257.13
15 stores of 500 sq. ft to 600 sq. ft @ ₹ 9,61,004		135.14
15 stores of 650 sq. ft to 750 sq. ft @ ₹ 11,14,350		167.15
Sub Total		559.43
Rental Deposit (33,750 sq. ft @ 250/ sq. ft for 10 months)*		843.75
Total		1,412.18

* Based on Management estimates

Schedule of Implementation

Activity	Start date	End date
EBO tie-ups	April 2011	March 2012
Interior setup	May 2011	April 2012
Outlets operations	July 2011	June 2012

F. Setting up of Retail store modules for shop in shop

Since the last few years, “Lovable” has undertaken the concessionaire retailing model in some of the Large Format Stores (“LFS”)/ department stores to market and increase the retail sales of our Company. This model proves more effective in displaying the full range and in garnering more revenue from departmental store customers. Our sales representatives operate the “shop-in-shop” modules at these stores and the front-ending / retailing done is an extension of the company’s activity. Unlike a multi-branded display, in this model, the dedicated retail space stocks only our brand’s products, reflects our brands visuals and is manned by our sales representative. By marketing our innerwear products through the “shop-in-shop” concept helps in displaying the entire range of products manufactured by our Company. Currently, our Company has 127 counters in stores like Westside, Shoppers Stop and Lifestyle amongst others Our Company has developed zone-wise plan which is detailed in the table below:

Particulars	Domestic (Indian market – Zone wise)				Total
	North	South	East	West	
shop-in-shop	30	40	15	25	110*

*Out of the proposed retail store modules for shop in shop, our Company has established 6 shop in shop counters.

Our Company is planning to add to its existing “shop-in-shop” retailing space and increasing our forward-integration in this retailing model at LFS/ department stores. Our Company Intends to utilize an amount of ₹ 361 lacs in setting up of 110 new “shop-in-shop” outlets based on quotation received from M/s Retail Display Solutions dated October 22, 2010, which are detailed as below:

					(₹ In Lacs)
S. No.	Description	Quantity	Per unit cost	Total Amount	
1	Wall Mounted Units size 48* 96* 16 inches	400.00	0.26	102.40	
2	Wall Mounted Units size 60* 96* 16 inches	250.00	0.38	96.00	
3	Wall Mounted Units size 96* 96* 16 inches	150.00	0.51	76.80	
4	Open Display and Packshoot Gondolas	1,100.00	0.07	77.00	
5	Mannequins	1,100.00	0.008	8.80	
Total					361.00

Schedule of Implementation

Activity	Start date	End date
First phase - 25 nos.		

Activity	Start date	End date
Store identification	January 2011	March 2011
Fitouts installation	March 2011	April 2011
Second phase – 60 nos.		
Store identification	May 2011	July 2011
Fitouts installation	August 2011	October 2011
Third phase - 35 nos.		
Store identification	November 2011	January 2012
Fitouts installation	February 2012	April 2012

G. Upgradation of design studio

The consumption pattern amongst the consumers is shifting from the basic necessities to lifestyle products. Women have started concentrating more on lingerie brands offering style, color, pattern and comfort as compared to the previous times when it was sold as a commodity with limited colors and patterns. (*Source: Care Report*). In keeping with the evolution of consumer tastes and rapid fashion cycles of the women's innerwear industry, our design studio needs to upgrade its equipment and increase its output. Our Company also proposes to increase the team strength in the design department. Our Company intends to utilize an amount of ₹ 759.52 lacs towards up-gradation of designing hardware and software of our design studio at Bengaluru and increase space and infrastructure.

Our Company has its in-house design studio for developing innerwear products and creating styles to meet various consumer preferences. The other factors that influence the designs of our products are based on the requirements of Indian women with respect to their physiology, their attire, and their preferences of fabric suitable for the Indian climate. In order to increase the output, we have set-up a new design studio at Bengaluru, Karnataka with the equipments and team strength of three (03) designers. Our design studio is equipped with CAD software with requisite hardware like digitizer, pattern grader, sampling, sewing machines and sample analyzer. Our design studio has a team of competent designers, pattern makers and sample makers who put together international trends and novel features. Our Company has a design library of approximately 1,000 designs. Our design studio also holds a knowledge bank of styles, innovations, customer salience, raw materials performance, fits and fits trials data, reasons for under-performance, etc. and it is invaluable in the development of our innerwear products. New designs are developed on a regular basis to add to our library of designs, concepts, features, fit patterns, material specifications and product specifications.

Our Company intends to utilize an amount of ₹ 759.52 lacs towards up-gradation of designing hardware and software of our design studio at Bengaluru and increase space and infrastructure, based on quotation dated September 16, 2010 given by M/s Sewn Products Limited, which are detailed as below:

(₹In Lacs)

Product Description	Amount
Design studio equipments (hardware)	199.92
Design studio software	59.60
Premises 7000 sq ft BDA Commercial Building	500.00
Total	759.52

Schedule of Implementation

Activity	Start date	End date
Purchase of property	April 2011	April 2011
Procurement of equipments	May 2011	June 2011
Equipments installation	June 2011	June 2011

H. General Corporate Purpose

Our Company intends to deploy the balance Issue proceeds aggregating ₹ [●] lacs, towards the general corporate purposes, including but not restricted to strategic initiatives, entering into strategic alliances, partnerships, joint ventures etc. and meeting exigencies and contingencies for the project, which our Company in the ordinary course of business may not foresee, or any other purposes as approved by our Board of Directors.

Our management, in response to the dynamic nature of the women's innerwear industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Issue Proceeds and increasing or decreasing expenditure for a particular object *vis-à-vis* the utilization of Issue Proceeds. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

I. Public Issue Expenses

The expenses for this Issue include Issue management fees, IPO grading expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

(₹ In Lacs)			
Activity	Expenses*	% of Issue Size	% of Issue expenses
Lead management, Syndicate fees, underwriting and selling commission (including commission to SCSB for ASBA applications) and brokerage	[●]	[●]	[●]
Advertisement and marketing expenses	[●]	[●]	[●]
Printing and stationery (including expenses on transportation of the material)	[●]	[●]	[●]
Others (Filing Fees with SEBI, BSE and NSE, Registrar's fees, legal fees, IPO Grading, listing fees, traveling and other misc. expenses etc.)	[●]	[●]	[●]
Total	[●]	[●]	[●]

* to be incorporated after finalization of the Issue Price

Deployment of Funds in the Project

Our company has incurred an expenditure of ₹ 89.66 lacs as on February 15, 2011 in the proposed Project. The fund deployment in the Project and its Means of Finance have been certified by M/s. Attar & Co., Chartered Accountants, the Auditors of our Company vide their certificate dated February 16, 2011, the details of which are as follows:

(₹ In Lacs)		
S. No.	Particulars	Amount deployed till February 15, 2011
1.	Advance against land	1.00
2.	Advance for setting up of Retail store modules for shop in shop	3.00
3.	Issue expenses	85.66
Total		89.66

Source of Financing the Funds already Deployed

(₹ In Lacs)		
S. No.	Particulars	Amount deployed till February 15, 2011
1.	Internal accruals	89.66
Total		89.66

Details of balance fund deployment

The details of balance deployment of funds are as under:

(₹ In Lacs)

Particulars	Amount deployed till February 15, 2011	Amount to be deployed till FY 2011	Amount to be deployed till FY 2012	Amount to be deployed till FY 2013	Total
Expansion manufacturing capacity	1.00	260.00	2,023.93	-	2,284.93
Brand Building	-	200.00	1,050.00	550.00	1,800.00
Brand Development expenses for our “College Style” brand	-	220.00	380.00	-	600.00
Investment in Joint venture	-	100.00	2,400.00	-	2,500.00
Exclusive Brand Outlets	-	-	1,129.74	282.44	1,412.18
Shop in Shop Outlets	3.00	15.00	285.19	57.81	361.00
Design Studio	-	-	759.52	-	759.52
General Corporate purposes	-	[•]	[•]	[•]	[•]
Issue Expenses	85.66	[•]	-	-	[•]
Total	89.66	[•]	[•]	[•]	[•]

Working capital requirement

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals and already have bank limits for working capital to meet our existing and future working capital requirements. However, in the event that there is surplus of funds after deployment from the Net Proceeds of the Issue, the funds may be utilized towards reducing our reliance on working capital facilities.

Interim use of funds

The management, in accordance with the approval of the Board of Directors, will have the flexibility in deploying the Issue Proceeds received by us. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with banks for the necessary duration and other fixed and variable return instruments.

Monitoring of utilization of funds

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

Our audit committee will also monitor the utilization of the Issue Proceeds. Pursuant to clause 49 of the Listing Agreement, our Company shall on a quarterly basis disclose to the audit committee the uses and applications of the proceeds of the Issue. Further, on an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Prospectus and place it before the audit committee. Such disclosure shall be made only until such time that all the proceeds of the Issue have been utilised in full. The statement shall be certified by the Statutory Auditors.

Further, Pursuant to clause 43A of the Listing Agreement, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Prospectus. Our Company shall be required to inform material deviations in the utilization of the Net Proceeds of the Issue to the Stock Exchanges and shall also be required to simultaneously make the material

deviations/adverse comments of the audit committee/monitoring agency public through advertisement in newspapers.

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

BASIS FOR ISSUE PRICE

The price band will be decided by our Company in consultation with the BRLM and advertised at least two days prior to the bid/ issue opening date. The Issue Price will be determined by our Company, in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by the Book Building Process. The face value of the equity shares is ₹ 10 each and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value.

Investors should also refer to chapters titled “Risk Factors” and “Auditors Report and Financial Information” on pages 11 and 161 respectively of the Red Herring Prospectus, to have an informed view before making the investment decision.

Qualitative Factors

- Entrenched and long-standing market presence;
- Usage of Modern equipment and technology;
- Integrated operations and economies of scale;
- Locational advantages;
- Strong distribution capabilities;
- Product range and diversified customer base;
- Product design and development;
- Globally successful brand; and
- Leveraging the modern retail business model.

For details on qualitative factors, refer to paragraph titled “*Competitive Strengths*” in the chapter titled “*Our Business*” on page 103 of the Red Herring Prospectus.

Quantitative Factors

The information presented in this section for the financial years ended March 31, 2010, 2009 and 2008 and for the nine months period ended December 31, 2010, is derived from our standalone audited restated financial statements prepared in accordance with Indian GAAP.

Some of the quantitative factors which may form the basis for computing the price are as follows:

1. Adjusted Basic and Diluted Earnings Per Share

Particulars	EPS (₹)	Weights
Fiscal year ended March 31, 2008	4.00	1
Fiscal year ended March 31, 2009	2.55	2
Fiscal year ended March 31, 2010	9.38	3
Weighted Average EPS	6.21	
For the nine months period ended December 31, 2010	11.21	

Note:

- Earnings per share calculations are in accordance with the Accounting Standard 20 “Earnings per Share” issued by Chartered Accountants of India.
- The face value of each Equity Share is ₹ 10 per share.

2. Pre Issue Price/Earning Ratio (P/E) in relation to Issue Price of ₹ [●] per Equity Share

Particulars	P/E at the lower end of the price band ₹ [●]	P/E at the higher end of the price ₹ [●]
Based on EPS of March 31, 2010	[●]	[●]
Based on weighted average EPS	[●]	[●]
Industry P/E – Textile products		
Highest		57.20
Lowest		2.00
Average		18.20

Source: Capital Market, Volume XXV/25, February 07 - 20, 2011

3. Average Return on Net Worth (RONW)

Return on Net Worth as per restated financial statements

Particulars	RONW (%)	Weights
Fiscal year ended March 31, 2008	34.21%	1
Fiscal year ended March 31, 2009	19.53%	2
Fiscal year ended March 31, 2010	43.33%	3
Weighted Average RONW	33.88%	
For the nine months period ended December 31, 2010	34.15%	

4. Minimum Return on increased net worth required for maintaining pre-issue EPS at March 31, 2010 is [●].

- At the higher end of the price band [●] %
- At the lower end of the price band [●] %

5. Net Asset Value (in ₹)

Particulars	Amount (₹)
Net Asset Value per Equity Share as of March 31, 2010	21.65
Net Asset Value per Equity Share as of the nine months period ended December 31, 2010*	32.81
Net Asset Value per Equity Share after the Issue	[●]
Issue Price per Equity Share	[●]

* Our Company has allotted 10,00,000 Equity Shares after December 31, 2010. For further details, please see chapter titled “Capital Structure” on page no. 55 of the Red Herring Prospectus.

6. Comparison of accounting ratios with peer group companies

We are engaged in the business of manufacturing women’s innerwear. We have drawn comparison with the listed companies mentioned hereunder based on the sector our company operates in.

Name of the company	Face Value (₹)	EPS (₹)	RONW (%)	Book Value per Equity Share (₹)	P/E Ratio
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Name of the company	Face Value (₹)	EPS (₹)	RONW (%)	Book Value per Equity Share (₹)	P/E Ratio
Lovable Lingerie Limited*	10.00	9.38	43.33%	21.65	[●]**
Peer Group[#]					
Page Industries Limited	10.00	35.51	40.00%	88.78	42.66
Maxwell Industries Limited	2.00	0.81	8.16%	13.65	19.51

* Based on standalone restated financial statements of our Company for the year ended March 31, 2010.

** Based on the Issue Price to be determined on conclusion of book building process and the basic/diluted EPS of our Company.

For Peer group companies the EPS, RONW and Book Value (B.V.) per equity share figures are based on the standalone audited results for the year ended March 31, 2010 and P/E ratio is based on the standalone Basic and Diluted EPS for the financial year ended March 31, 2010 and Market Price (BSE) as on February 18, 2011.

- B.V. = Shareholders' funds(i.e. Share Capital plus Reserves and Surplus less Miscellaneous Expenditure to the extent not written off)/actual paid-up number of shares outstanding as on March 31, 2010
- RONW = Profit after Tax /Shareholders' funds (i.e. Share Capital plus Reserves and Surplus less Miscellaneous Expenditure to the extent not written off) X 100

The face value of our Equity Shares is ₹10 per share and the Issue Price of ₹ [●] is [●] times of the face value of our Equity Shares. The final price would be determined on the basis of the demand from the investors.

The Issue Price of ₹ [●] has been determined by our Company in consultation with the BRLM on the basis of the demand from investors for the Equity Shares through the Book Building Process and is justified based on the above accounting ratios. For further details, please see the chapter titled “**Risk Factors**” on page 11 of the Red Herring Prospectus and the financial information of our Company including important profitability and return ratios, as set out in chapter titled “**Auditors Report and Financial Information**” on page 161 of the Red Herring Prospectus to have a more informed view. The trading price of the Equity Shares could decline due to the factors mentioned in chapter titled “**Risk Factors**” on page 11 of the Red Herring Prospectus and you may lose all or part of your investments.

STATEMENT OF TAX BENEFITS

**The Board of Directors,
Lovable Lingerie Limited**
A-46, Street No.2, MIDC
Andheri (East)
Mumbai – 400 093

Dear Sirs,

Sub: Statement of Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits that may be available to Lovable Lingerie Limited (the “**Company**”) and to the shareholders of the Company under the provisions of current tax laws presently in force in India.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

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 revenue authorities/ courts will concur with the views expressed herein.

Our views are based on the existing provisions of law and its interpretations, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes. 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. While all reasonable care has been taken in the preparation of this opinion, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

This report is intended solely for information and for the inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Attar & Co.
Chartered Accountants
Firm Registration No.112600 W

M F Attar
Proprietor
Membership No 034977
Place: Mumbai
Date: February 15, 2011

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

A. SPECIAL TAX BENEFITS TO THE COMPANY

The Company has established an undertaking in Uttaranchal (Roorkee Division), which undertakes manufacturing of laminated fabric (lingerie accessories) during the year ended March 31, 2010.

The said division is qualifying for the deduction under section 80IC of Chapter VI A of Income Tax Act 1961 (the “IT Act”) from the initial assessment year 2010 – 2011.

Deduction is allowable in respect of profits and gains derived by the said undertaking in the state of Uttaranchal subject to conditions that:

1. The undertaking has begun or begins to manufacture or produce any article or thing:
 - (a) specified in fourteenth schedule or where such undertaking undertakes substantial expansion during the period specified in condition (2) hereafter;
 - (b) not being article or thing specified in thirteenth schedule or where such undertaking undertakes substantial expansion, during the period specified in condition (2) hereafter, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Central Board of Direct Taxes (CBDT) in accordance with the scheme framed and notified by the Central Government.
2. The specified period to in condition (1)(a) & (1)(b) in the state of Himachal Pradesh/ Uttaranchal, is the period beginning on January 7, 2003 and ending before April 1, 2012.
3. The undertaking should not be formed as a result of splitting up, or reconstruction, of an existing business and

Provided that this condition shall not apply in respect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 33B of the IT Act, in the circumstances and within the period specified in that section;
4. It is not formed by the transfer to a new business of machinery or plant previously used for any purpose, and
5. Notwithstanding anything contained in any other provision of the IT Act, in computing the total income of the company, no deduction shall be allowed under any other section contained in Chapter VIA or in section 10A or section 10B of the IT Act, in relation to the profits and gains of the undertaking or enterprise.
6. Notwithstanding anything contained in the IT Act, no deduction shall be allowed to any undertaking or enterprise under this section, where the total period of deduction inclusive of the period of deduction under this section, or under the second proviso to sub-section (4) of section 80-IB of the IT Act or under section 10C of the IT Act, as the case may be, **exceeds ten assessment years.**
7. Notwithstanding anything contained in any other provision of the IT Act, the profits and gains of an eligible business to which the provisions of sub-section (1) of section 80IC of the IT Act apply shall, for the purposes of determining the quantum of deduction under that sub-section for the assessment year immediately succeeding the initial assessment year or any subsequent assessment year, be computed as if such eligible business were the only source of income of the assessee during the previous year relevant to the initial assessment year and to every subsequent assessment year up to and including the assessment year for which the determination is to be made.
8. The deduction under sub-section (1) of section 80IC of the IT Act from profits and gains derived from an industrial undertaking shall not be admissible unless the accounts of the industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an

accountant, as defined in the *Explanation* below sub-section (2) of section 288, and the company furnishes, along with his return of income, the report of such audit in the prescribed form (*See* rule 18BBB of Income Tax Rules, 1961 and Form No. 10CCB) duly signed and verified by such accountant

9. Where any goods or services held for the purposes of the eligible business are transferred to any other business carried on by the company, or where any goods or services held for the purposes of any other business carried on by the company are transferred to the eligible business and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the eligible business does not correspond to the market value of such goods or services as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of such eligible business shall be computed as if the transfer, in either case, had been made at the market value of such goods or services as on that date :

Provided that where, in the opinion of the Assessing Officer, the computation of the profits and gains of the eligible business in the manner hereinbefore specified presents exceptional difficulties, the Assessing Officer may compute such profits and gains on such reasonable basis as he may deem fit.

Explanation.—For the purposes of above, “market value”, in relation to any goods, means the price that such goods would ordinarily fetch on sale in the open market

10. Where any amount of profits and gains of an industrial undertaking or of an enterprise in the case of a company is claimed and allowed under this section for any assessment year, deduction to the extent of such profits and gains shall not be allowed under any other provisions of this chapter under the heading “C.—*Deductions in respect of certain incomes*”, and shall in no case exceed the profits and gains of such eligible business of industrial undertaking or enterprise, as the case may be.
11. Where it appears to the assessing officer that, owing to the close connection between the company carrying on the eligible business to which this section applies and any other person, or for any other reason, the course of business between them is so arranged that the business transacted between them produces to the company more than the ordinary profits which might be expected to arise in such eligible business, the Assessing Officer shall, in computing the profits and gains of such eligible business for the purposes of the deduction under this section, take the amount of profits as may be reasonably deemed to have been derived there from.
12. The Central Government may, after making such inquiry as it may think fit, direct, by notification in the Official Gazette, that the exemption conferred by this section shall not apply to any class of industrial undertaking or enterprise with effect from such date as it may specify in the notification.
13. Where any undertaking of an Indian company which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another Indian company in a scheme of amalgamation or demerger:
 - (a) no deduction shall be admissible under this section to the amalgamating or the demerged company for the previous year in which the amalgamation or the demerger takes place; and
 - (b) the provisions of this section shall, as far as may be, apply to the amalgamated or the resulting company as they would have applied to the amalgamating or the demerged company if the amalgamation or demerger had not taken place.
14. Nothing contained in point 13 above shall apply to any enterprise or undertaking which is transferred in a scheme of amalgamation or demerger on or after the 1st day of April, 2007

The deduction of taxable income computed under the head “Income from Business/ Profession” in the State of Uttaranchal, to the extent of 100%, will be allowed for first 5 assessment years commencing with the initial assessment year (AY 2010 - 2011) and thereafter, to the extent of 30% of such taxable income of undertaking for the next 5 assessment years.

In computing the total income of the said undertaking, who has claimed deduction under section 80IC of the IT Act, no deduction will be allowed under any other section contained in chapter VI A or in section 10A or 10B, in relation to its profits and gains.

No deduction under section 80IC of the IT Act will be allowed to the said undertaking, where the total period of deduction inclusive of the period of deduction under section 80IC of the IT Act, or under the second proviso to section 80IB(4) or under section 10C of the Act, as the case may be, exceeds 10 assessment years.

B. SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF OUR COMPANY

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

C. GENERAL TAX BENEFITS, AVAILABLE TO ALL CATEGORIES OF COMPANIES OR TO THE SHAREHOLDERS OF ANY COMPANY, SUBJECT TO FULFILLING CERTAIN CONDITIONS AS REQUIRED UNDER THE RESPECTIVE ACTS:

BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961

1. Under section 10(34) of the IT Act, income by way of dividends referred to in section 115-O of the IT Act received by the Company from domestic companies is exempt from income tax.
2. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India after October 1, 2004 and is liable to securities transaction tax.
4. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e. if shares are held for a period not exceeding 12 months) arising on transfer of equity shares in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act, 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction from the income-tax under section 80C of the IT Act.

6. Deduction under section 32: As per provisions of section 32(1)(iia) of the IT Act, the company is entitled to claim additional depreciation of 20% of the actual cost of any new machinery or plant which has been acquired and installed after March 31, 2005 subject to fulfilment of conditions prescribed therein.

7. Under section 115JAA (2A) of the IT Act tax credit shall be allowed in respect of any Minimum Alternative Tax (MAT) paid under section 115JB of the IT Act for any assessment year commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the IT Act. Such MAT credit shall not be available for set-off beyond 10 years immediately succeeding the year in which the MAT credit initially arose.

BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961

1. Under section 10(34) of the IT Act, income by way of dividends referred to in section 115-O of the IT Act received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to section 48 of the IT Act, in respect of long term capital gains (i.e. shares held for a period exceeding 12 months) from transfer of shares of Indian company, it permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act, 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction from the income-tax under section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

7. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e. if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
8. In terms of section 36(1)(xv) of the IT Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction from the amount of income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

BENEFITS AVAILABLE TO MUTUAL FUNDS

1. As per the provisions of section 10(23D) of the IT Act, Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS (‘FIIS’)

1. Under section 10(34) of the IT Act, income by way of dividends referred to in section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
3. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction from the income-tax under section 80C of the IT Act.

4. Under section 115AD(1)(ii) of the IT Act short term capital gains on transfer of securities shall be chargeable @ 30% and 15% (where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax). The above rates are to be increased by applicable surcharge and education cess.

Under section 115AD(1)(iii) of the IT Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under section 10(38) of the IT Act) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.

5. As per section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act to the extent they are more beneficial to the FII.
6. In terms of section 36(1)(xv) of the IT Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction from the amount of income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS

1. Under section 10(23FB) of the IT Act, any income of Venture Capital companies/ Funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per section 115U of the IT Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

BENEFITS AVAILABLE TO NON-RESIDENTS / NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)

1. Under section 10(34) of the IT Act, income by way of dividends referred to in section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
3. Under the first proviso to section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the IT Act - discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India, Act 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this section for calculating capital gain, shall not be allowed as a deduction from the income-tax under section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
7. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
8. Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of chapter XII-A of the IT Act, which inter alia entitles them to the following benefits:
 - i. Under section 115E of the IT Act, where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a non-resident Indian, long term capital gains arising to the non-resident Indian shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.
 - ii. Under provisions of section 115F of the IT Act, long term capital gains (in cases not covered under section 10(38) of the IT Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the IT Act) shall be exempt from income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in section 10(4B) of the IT Act, within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
 - iii. Under provisions of section 115G of the IT Act, it shall not be necessary for a non-resident Indian to furnish his return of income under section 139(1) if his income chargeable under the IT Act consists of only investment income or long term capital gains or both; arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from as per the provisions of chapter XVII-B of the IT Act.
 - iv. In accordance with the provisions of section 115H of the IT Act, a non resident Indian become 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 IT Act to the effect that the provisions of chapter XII-A shall continue to apply to him in relation to such investment income derived from the

specified assets for that year and subsequent assessment years until such assets are converted into money.

9. In terms of section 36(1)(xv) of the IT Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction from the amount of income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
10. As per section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the non-resident/ non-resident Indian would prevail over the provisions of the IT Act to the extent they are more beneficial to the Non-Resident / Non-Resident India.

BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

Asset as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares of the Company held by the shareholders would not be liable to wealth tax.

Notes:

1. All the above possible benefits are as per the current tax laws as amended by the Finance Act, 2010.
2. The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity Shares;
3. The above statement of possible direct tax benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws, including as laid down by the circular 4/2007 dated 15th June 2007 issued by CBDT concerning capital gain, for availing concessions in relation to capital gains tax;
4. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;
5. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
6. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.

SECTION IV: ABOUT THE ISSUER

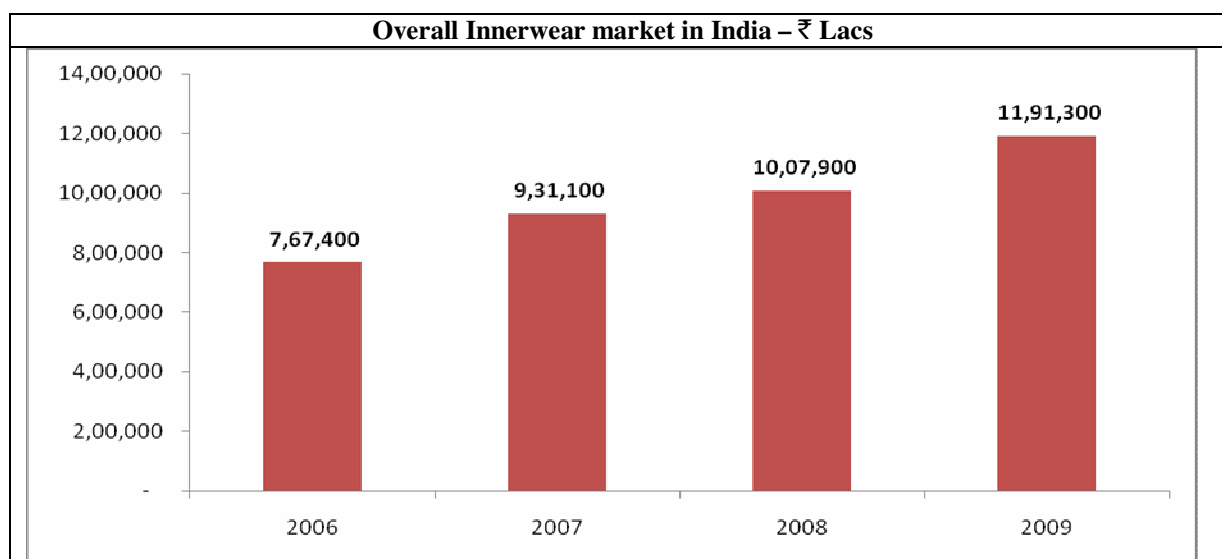
INDUSTRY OVERVIEW

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Overview of the Indian Innerwear Industry

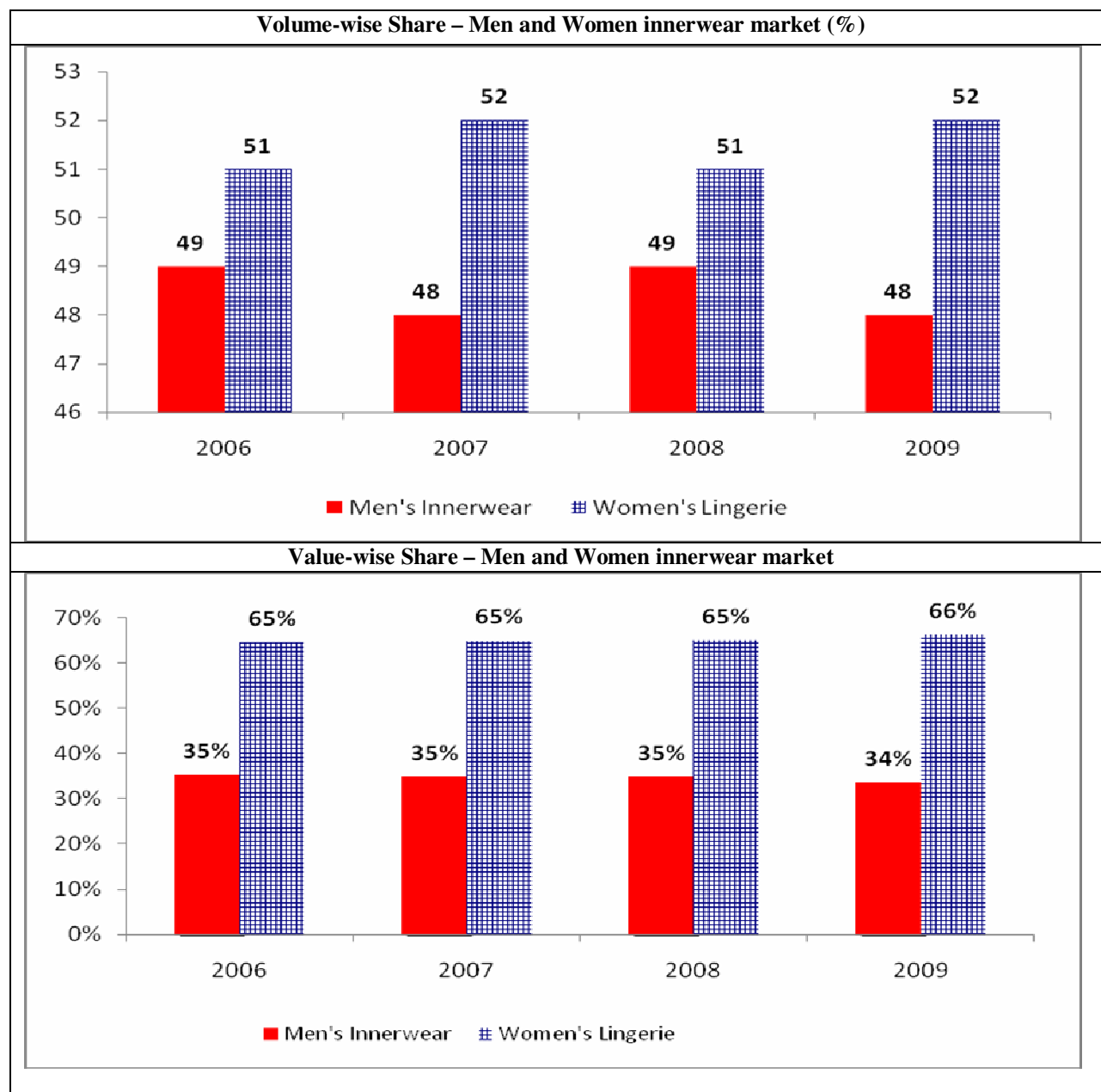
The overall innerwear market (excluding kids) in India was worth ₹ 1,191,300 lacs in CY 2009. It has grown at a Compounded Annual Growth Rate (CAGR) of 15.8 % over the last four years. The growth can be attributed to the rising disposable incomes, growing consumer class and advent of international brands in the Indian markets



Source: CARE Research, Images Business of Fashion Yearbook 2010

In volume terms, the men's innerwear market constitutes 48 % of the total innerwear market in India. The share has remained range bound over the last four years. The women lingerie segment holds a 52 % share.

In value terms, the women lingerie segment enjoys 66 % share of the total lingerie market. Larger value share and a smaller volume share depict higher Average Selling Price (ASP) as compared to the men's innerwear market.

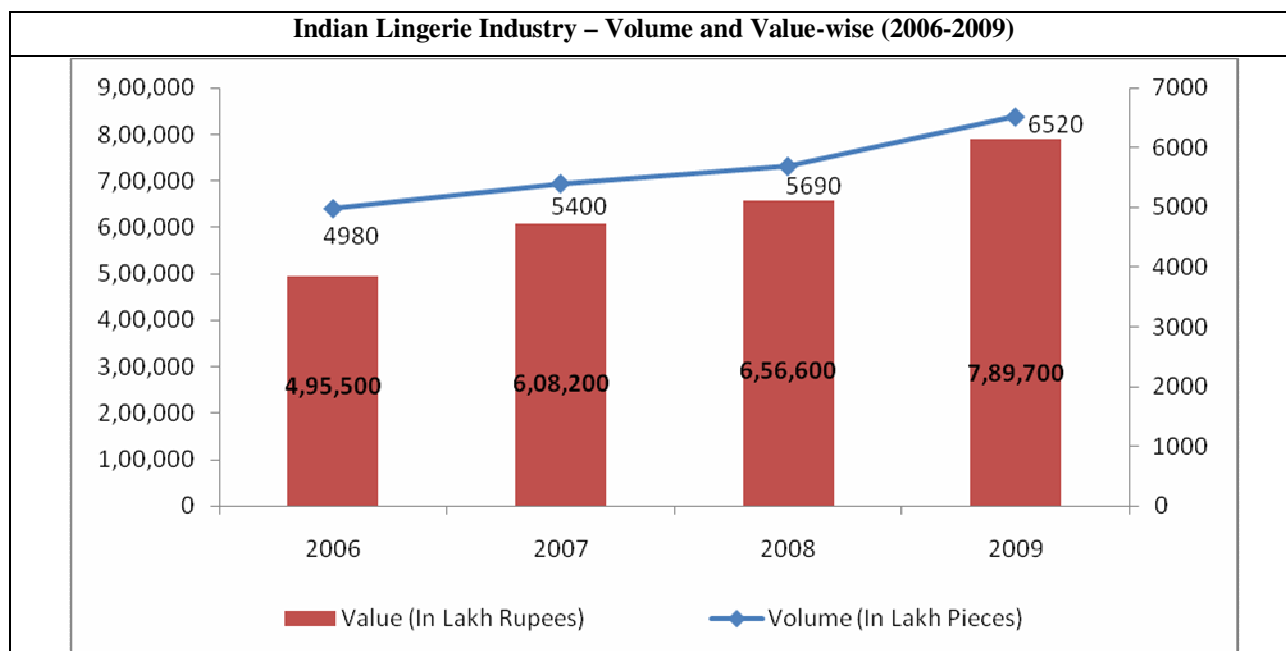


Source: CARE Research, Images Business of Fashion Yearbook 2010

Overview of the Lingerie industry in India

In value terms the lingerie industry in India was worth ₹ 7, 89,700 Lacs in CY2009. It has grown at a robust 16.8 % over the last four years (2006-09). The growth can be attributed to the rising disposable income and growing preference for lifestyle products. Over the last decade lingerie has grown from an optional part of the wardrobe to essential clothing for women. It constituted 5.1 % of the total Indian apparel market and 15.8 % of the overall women apparel market during 2009.

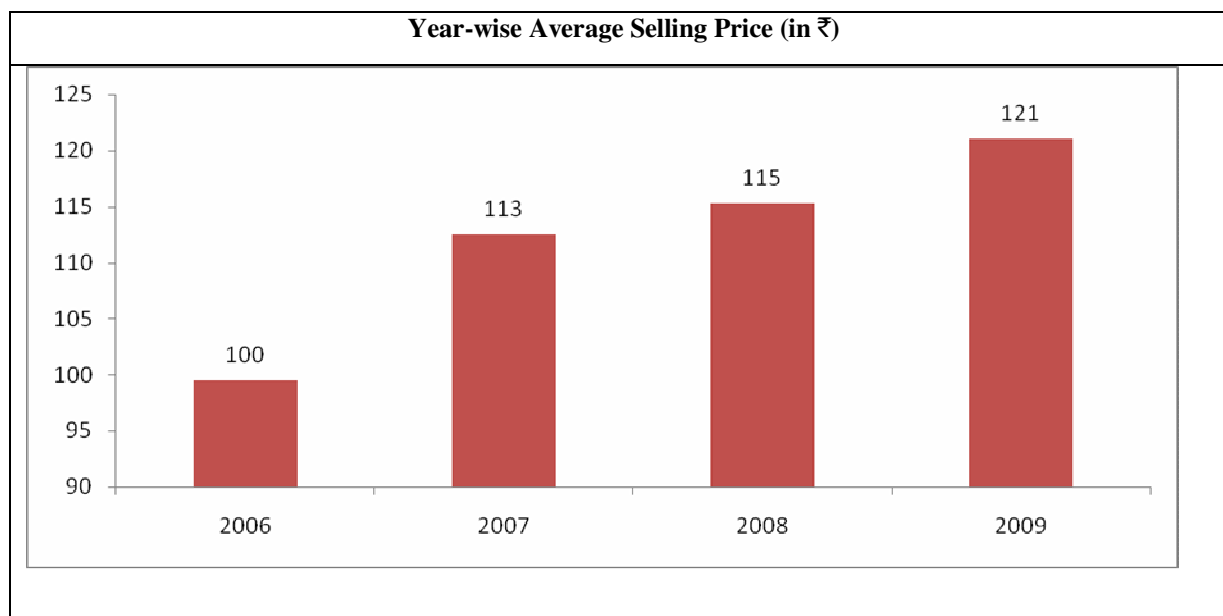
In volume terms the lingerie industry grew at a rate of 9.4 % over the last four years. The lingerie sales grew from 4,980 Lacs pieces in 2006 to 6,520 Lacs pieces in 2009. In volume terms it constitutes 9.4 % of the overall apparel market and 31.9 % of the women apparel market.



Source: CARE Research and Images Business of Fashion Yearbook, 2010

Note: All numbers are CY

The lingerie market grew at a faster pace in terms of value as compared to volumes during the 2006-2009 period. This signifies a jump in the average selling price which grew from ₹ 100 in 2006 to ₹121 in 2009. It grew at a Compounded Annual Growth Rate (CAGR) of 6.7 % during the same period.



Source: CARE Research and Images

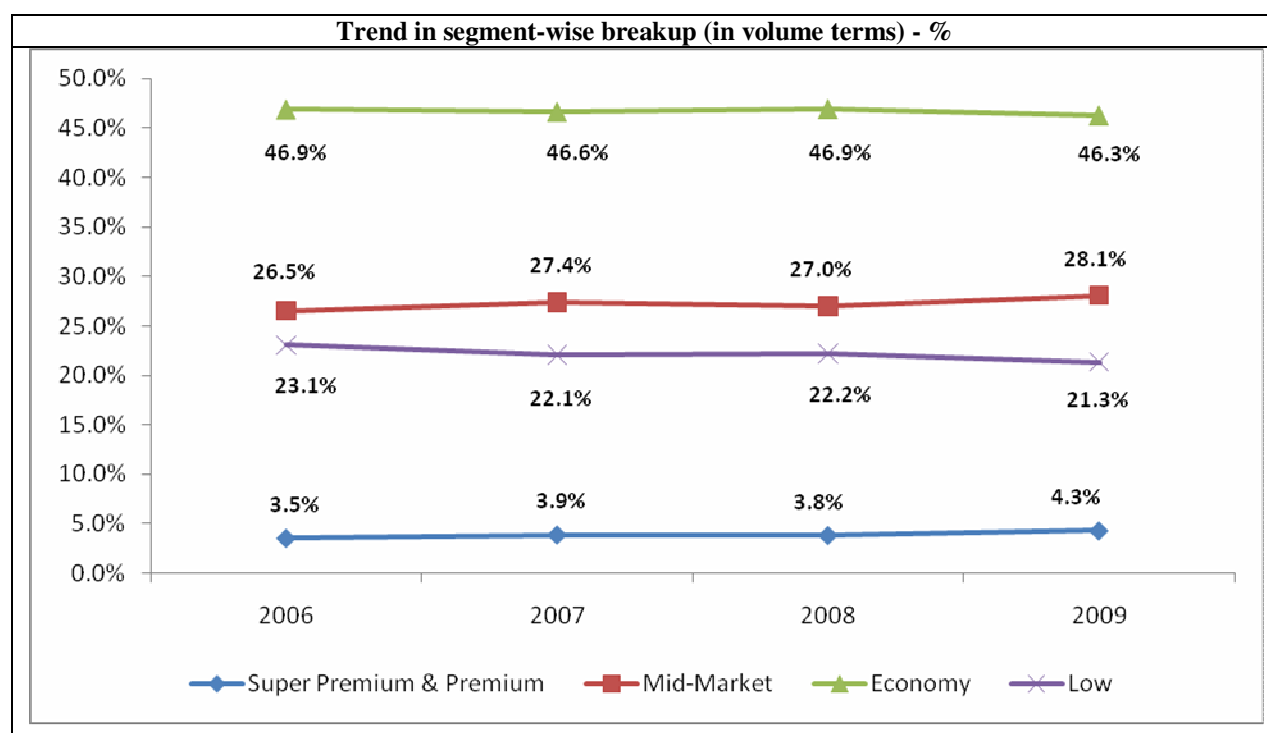
Note: Calendar Year Data

The lingerie industry in India is characterized by a high degree of fragmentation with almost two-third of the market controlled by the unbranded and unorganized regional players and the balance one-third share goes to the few big organized and branded players. The advent of some international brands in the Indian market place has brought about some realignment in the fragmented lingerie market. The companies have started advertising boldly through advertisements, fashion shows etc., to catch up with the consumers to understand their preferences.

Segment-wise lingerie market

The lingerie market in India can be divided into five segments based on the price points at which they sell in the market. They are classified in super-premium, premium, mid-market and economy & low-market segment. Approximately, 75 % of the market share is held by the mid-market and economy segment, in both, value and volume terms. The super-premium and premium segments are relatively smaller but fast-growing segments.

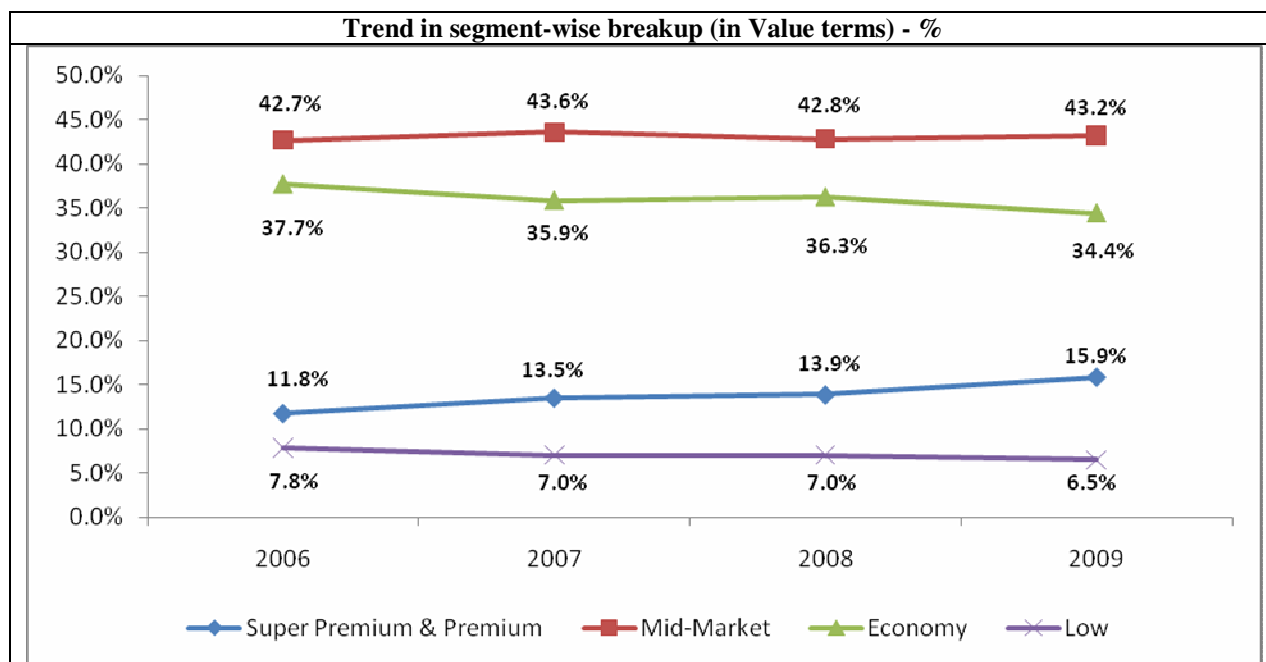
In volume terms, the economy segment accounts for the maximum share in the lingerie market. The volume-wise share of different segments has remained more or less stable over the last four years. All segments except the low market segment have grown in the volume terms over the last four years. The maximum growth in volume terms was experienced by the super-premium segment followed by the premium segment. This indicates the growing penetration level in these segments. The super-premium and premium segments grew at a CAGR of 18.9 and 16.6 % respectively. This can be attributed to the surge in international brands entering India, rising income levels, changing demographics, growing brand awareness and the willingness amongst the people to spend on lifestyle products. The key brands in the premium and super-premium category are Marks & Spencer, Triumph, Enamor, Lovable and La Senza. The key brands in the economy and mid-segment are Groversons, Bodycare, Bodyline, Daisy Dee and Teenager.



Source: CARE Research and Images

Note: Calendar Year Data

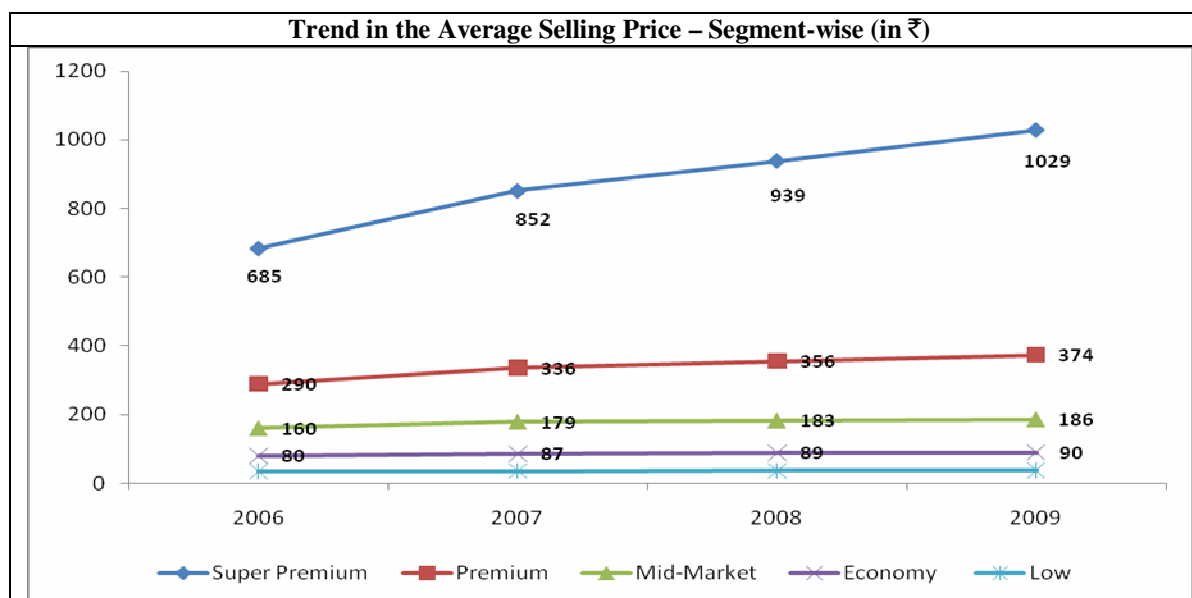
In value terms, the mid-market segment is the largest followed by economy and super-premium and premium segments. Low market constitutes only 6.5 % of the total lingerie market. Approximately, 78 % of the market share is held by the mid-market and economy segments. This segment is majorly dominated by unbranded regional players. Therefore, there lies immense potential for the market participants to launch products in these categories to grab the market share and create a better brand recall.



Source: CARE Research and Images

Note: Calendar Year Data

The average selling price (ASP) of lingerie in India varies from ₹ 37 per piece to ₹ 1,029 per piece. The ASP of the super-premium segment has grown at the fastest pace followed by the premium segment. The ASP in the super-premium and premium segment grew at a CAGR of 14.5 % and 8.9 %, respectively, over the last four years. This kind of a growth can be attributed to the entry of global brands in India, rising percentage of organised retail and the rising brand consciousness amongst the consumers. The growth in the ASP of the lower segment remained at a meager 2.9 %. This indicates that the lower segment is a price-sensitive market. The ASP in the mid-market and economy segment grew at 5.2 % and 4 % respectively.



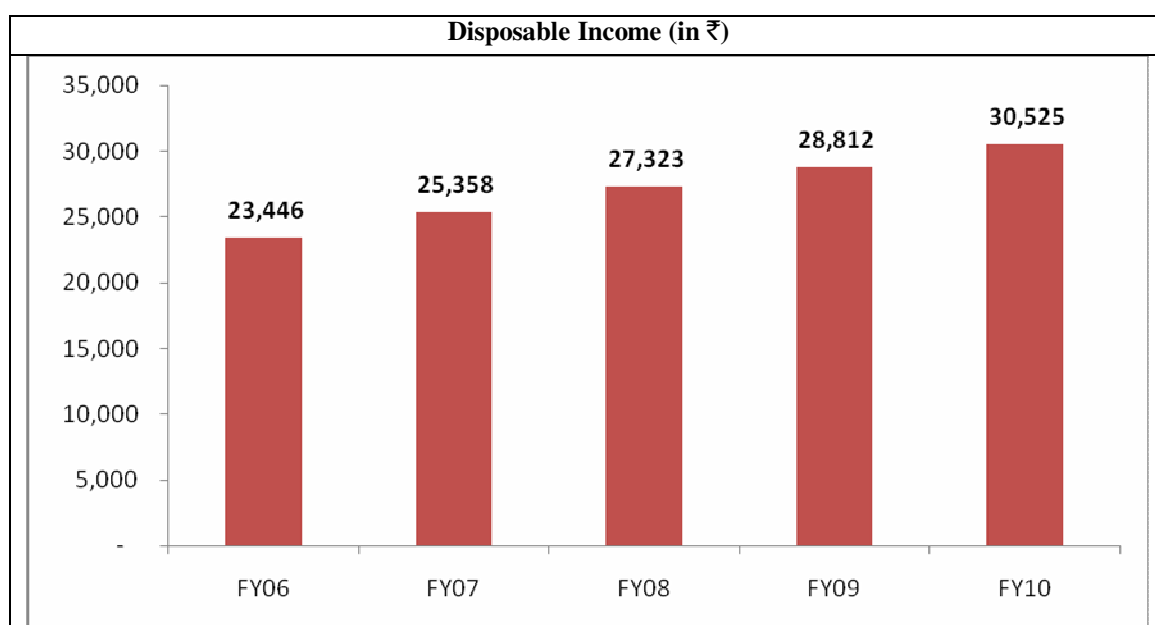
Source: CARE Research and Images

Note: Calendar Year Data

The brand loyalty factor is the highest amongst the premium and super-premium categories. It decreases as we move down the ladder. According to Images Business of Fashion Magazine, October 2009 issue, Lovable is amongst the top three preferred brands in women's innerwear in India.

Demand drivers for the organised lingerie market

- Continuous shift in consumer demand pattern from basic necessity to spend on lifestyle products:**
The consumption pattern amongst the consumers is shifting from the basic necessities to lifestyle products; women have started concentrating more on lingerie brands offering style, color, pattern and comfort as compared to the previous times when it was sold as a commodity with limited colors and patterns.
- Soaring income levels:** As per the Centre for Monitoring Indian Economy (CMIE) data the per capita disposable income grew at a CAGR of close to 6.8 % over the period FY04-08. The per capita disposable income is expected to grow by similar rates over the next five years thereby driving growth in the demand for clothing in general and lingerie in particular.



Source: CMIE

- Growing consumer class:**

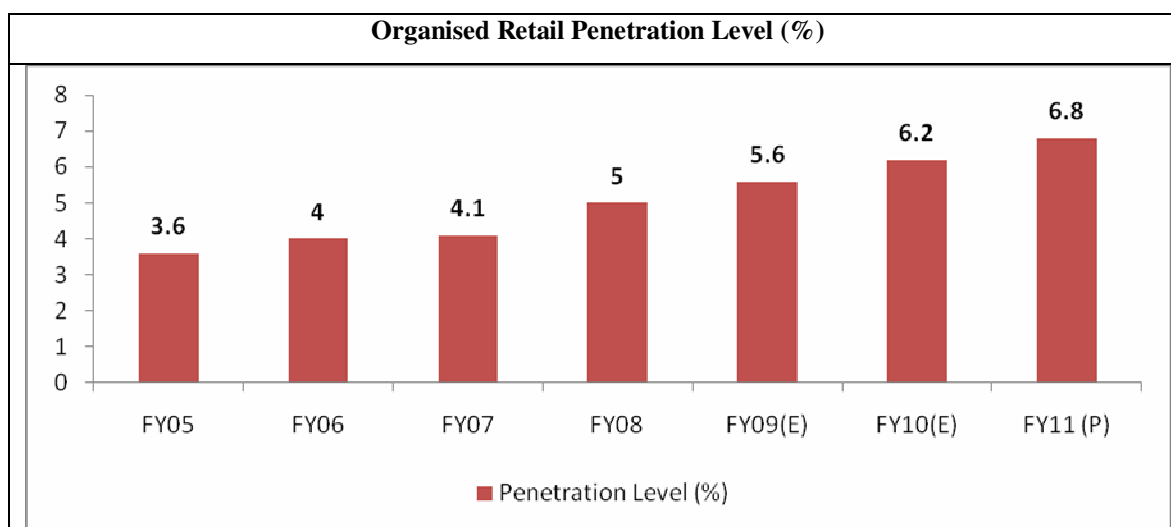
Income-wise households							
Category	Income ('000's ₹)	Number of Households (In Mn.)			Distribution of Households (%)		
		FY96	FY06	FY10 (E)	FY96	FY06	FY10 (E)
Deprived	<90	1312	1322	1144	79.6%	64.9%	51.6%
Aspirers	90-200	289	533	753	17.5%	26.2%	33.9%
Middle Class	200-1,000	45	164	284	2.7%	8.1%	12.8%
Rich	> 1,000	3	17	38	0.2%	0.8%	1.7%
	Total	1649	2036	2219	100%	100%	100%

Source: CARE Research, National Council of Applied Economic Research

The sharp decline in the number of households falling in the deprived class category clearly shows that the consumer class has increased thereby, driving growth in the consumption of lingerie. Most of the

households graduating from the deprived class to the aspirers could be the new customers entering the lingerie market. These are the customers driving growth in the mass and unorganized segment. At the same time the growing percentage of the middle and rich classes are the customers catering to the mid-market and premium segment brands.

4. **Rising percentage of working women:** The proportion of working women has been gradually increasing. Currently, about 30 % of the women are working (earning income) as against 22 % in FY91. The working women mean higher disposable income for the household to spend on the branded and lifestyle products. This buying group is more demanding in their choice of inner-wear looking for quality products that satisfy comfort, fitting, styling needs etc. This has resulted in a qualitative shift of consumers from low and economy segment to premium and super-premium segment. This segment is now considered as the major growth segment.
5. **Growing awareness levels amongst the Indian population:** There has been a considerable rise in the awareness levels amongst the Indian population. This can be attributed to the increase the number of advertising campaigns and channels of distribution. People are now aware of the products available in the market and can choose from them.
6. **Rising percentage of youth in India's population structure:** India is witnessing the baby boomer effect – the proportion of young earning population is relatively high. Compared to the world's median age of 28.1 years, the median age of Indian populace stands at 25.1 years. Considering the huge size of the Indian women population, the lower median age implies a very large market opportunity for branded and lifestyle lingerie, as the youngsters are more brand conscious and have the eagerness to spend on the lifestyle products. Impulsive buying is the highest amongst the youth due to more usage of plastic card now-a-days.
7. **Increasing urbanization:** Urbanization rate in FY2005 was just 28 % of India's population. Urbanization rate represents the percentage of people who reside in urban cities. India's urbanization rate is among the lowest in the world. By FY2025 the number of Indians living in cities is expected to grow by 300 million, we assume that the rate would be same for women as well and they are the ones who will drive the demand for branded lingerie of new styles and fashions to match new lifestyles.
8. **Growing organized retail:** The robust growth in the Indian retail market is another driver for the growth of Indian lingerie market. The ever-increasing number of retail space should boost growth in the Indian clothing industry. Changing preferences towards mall-culture of shopping on one hand and opening up of a large number of malls, multi-brand outlets, exclusive brand outlets, lifestyle stores, etc. will drive growth in the Indian lingerie market.

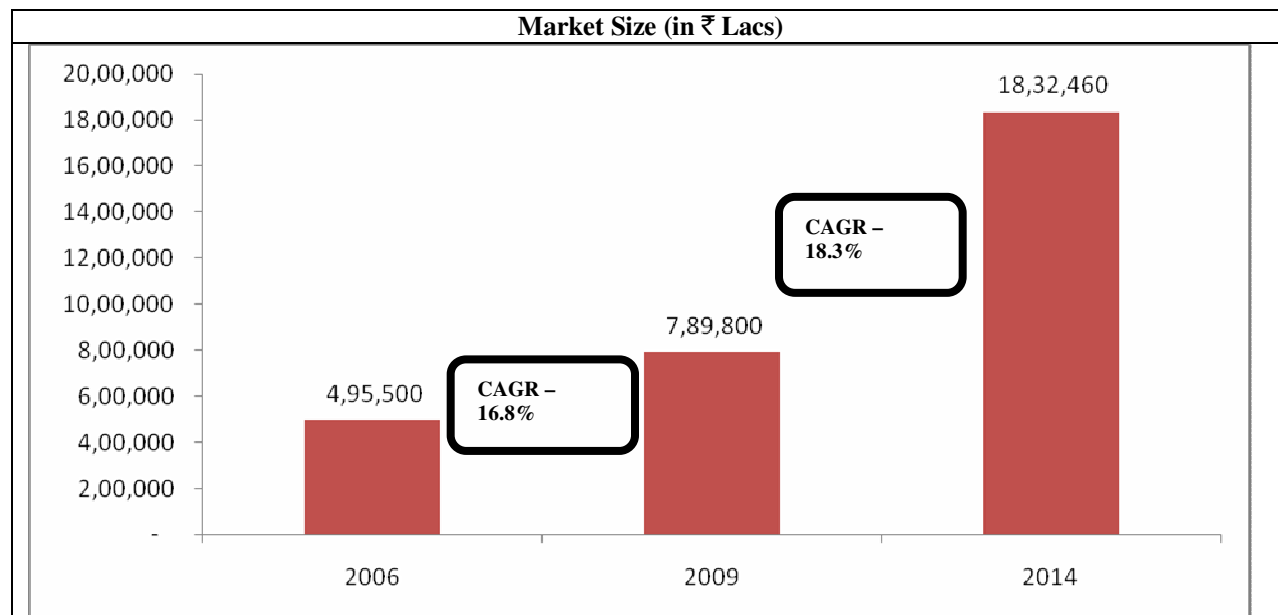


Source: CARE Research

Note: P – Projected, E - Estimated

Outlook on the Lingerie industry in India

The lingerie industry in India is expected to grow at a CAGR of 18.3 % over the period 2009-2014. It is currently estimated at ₹ 7,89,800 Lacs and is expected to be worth ₹ 18,32,460 Lacs in 2014. This growth would be led by the super-premium, premium and mid-market segment.



Source: CARE Research and Images Business of Fashion Yearbook 2010 – Volume VII. No.1

The super-premium and premium segment contributed 15.8 % to the total lingerie market in 2009. This share is expected to grow to approximately 28 % by 2014. This can primarily be attributed to the advent of international brands in India, growing brand awareness and brand loyalty amongst the Indian consumer.

Mid-market segment is the largest segment of the lingerie market and is expected to remain the largest over the next five years. It currently contributes 43 % (2009) to the total lingerie market. This share is expected to increase to 46.3 % in 2014. This segment is expected to grow at a CAGR of approximately 20 % over the next five years. The growth in this segment can be attributed to the growing urbanization and increasing number of working women.

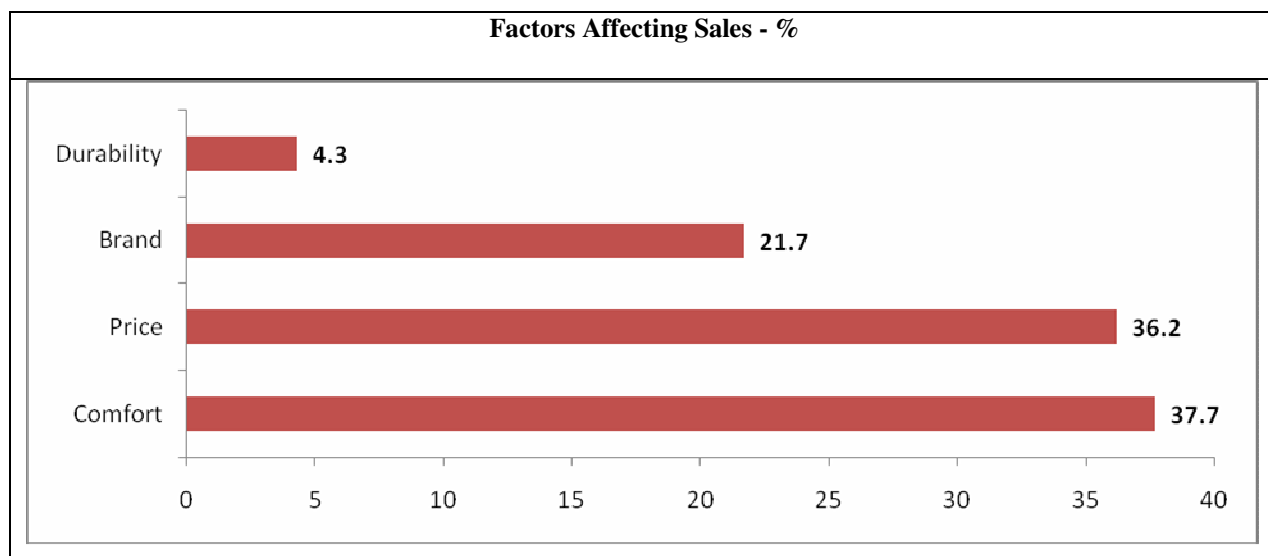
On the other hand, the economy and low segments are expected to grow at a pace slower than the overall lingerie market, thereby, losing its share in the overall pie.

Segment-wise Share – Lingerie Market (%)			
	2006	2009	2014
Super Premium (₹ 500-above)	2.6%	4.1%	9.4%
Premium (₹ 250-₹ 500)	9.2%	11.8%	18.9%
Mid-market (₹ 100-₹ 250)	42.7%	43.2%	46.3%
Economy (₹ 50- ₹100)	37.7%	34.4%	21.4%
Low (₹ 50-below)	7.8%	6.5%	3.9%

Source: CARE Research

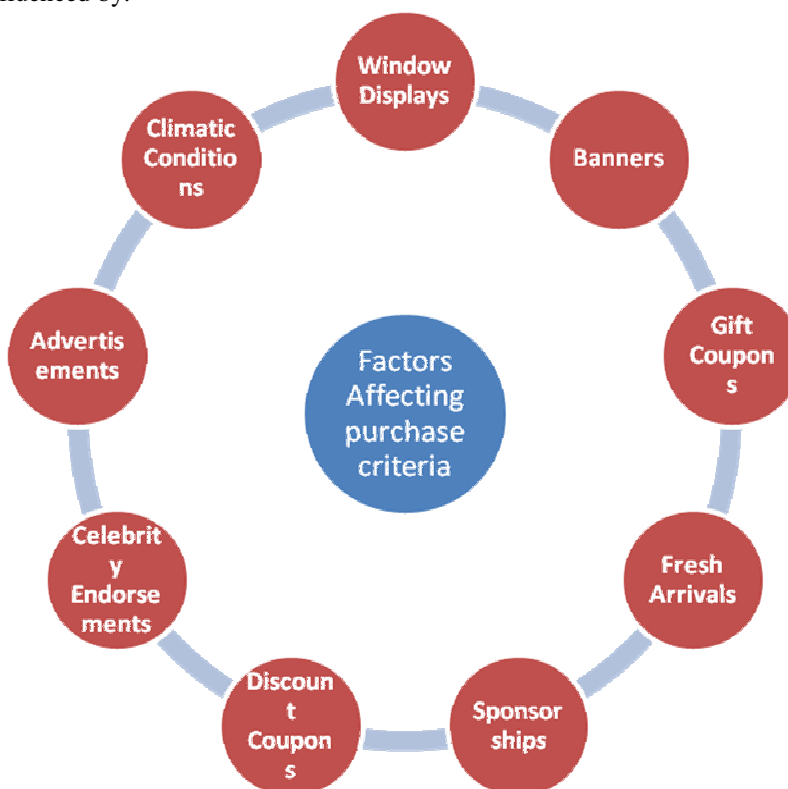
Factors influencing the choice of consumers

The key factors influencing the choice of the consumers are comfort, price, brand and durability. Comfort plays a key role in the choice of the consumers followed by price and brand name.



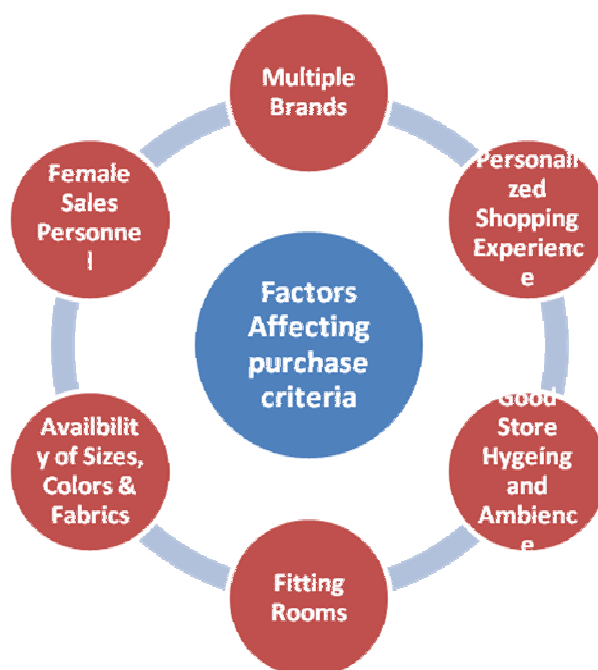
Source: Images and CARE Research

Indian consumers spread across different regions are heterogeneous in nature. The consumers of each region have their own culture, education and aptitudes which influence their consumption pattern. Local consumers of innerwear in each region are influenced by:



Source: CARE Research

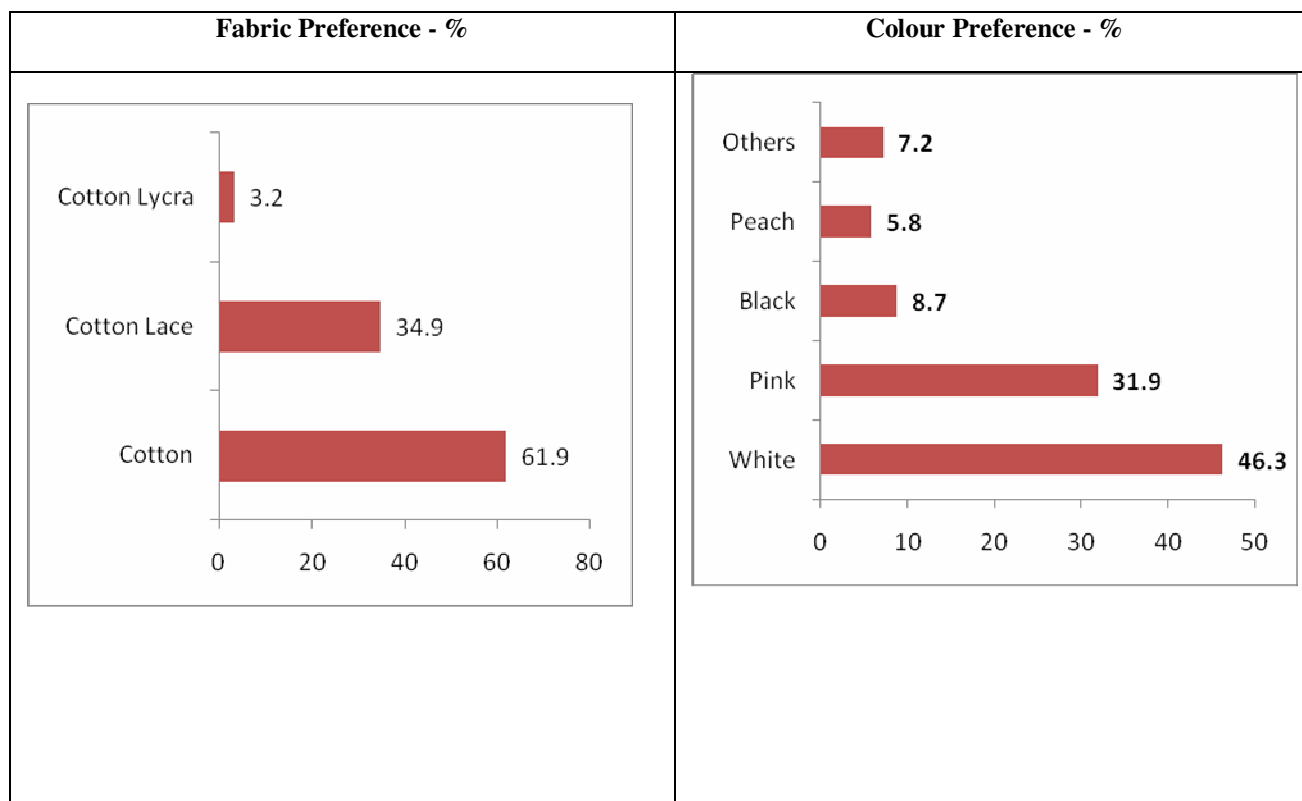
Consumers in general look for certain suitable attributes in a store for such purchases. These include:

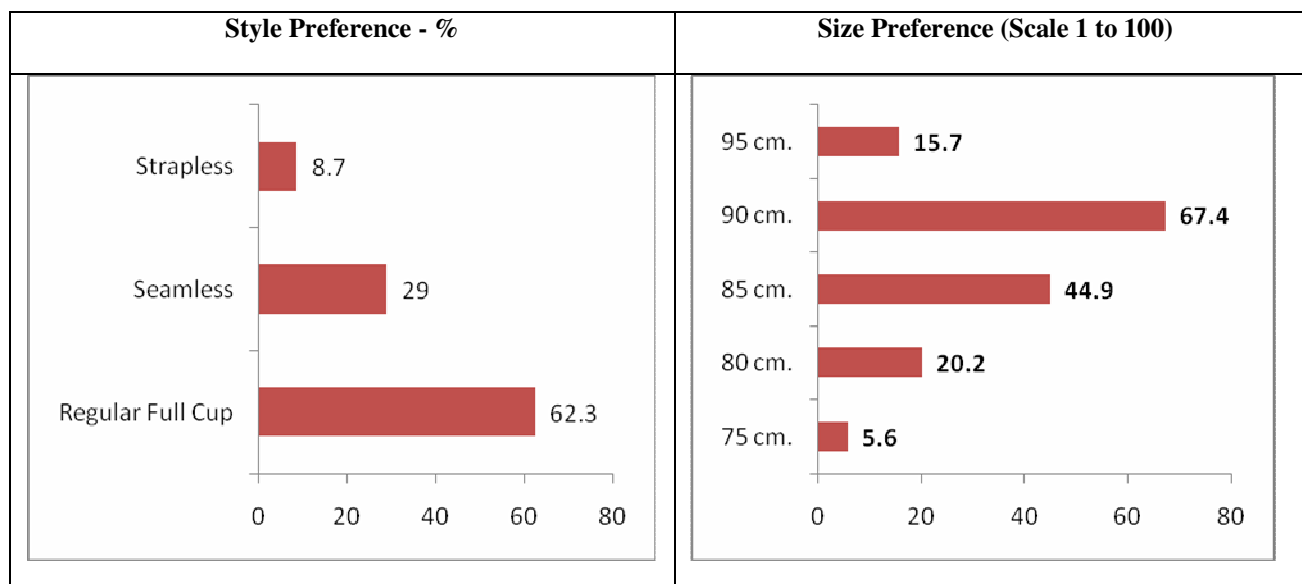


Source: CARE Research

Consumer Preferences

Size is the most crucial component in the lingerie market. The best selling size is 90 cm followed by 85 cm. In brassieres type, regular full cup are more in demand, followed by the seamless and strapless bra categories. Colour-wise, white seems to be in more demand followed by pink, black and peach. When it comes to fabric, sales are led by cotton brassieres followed by cotton lace and cotton Lycra.





Source: Images and CARE Research

Consumer behavior and preferences

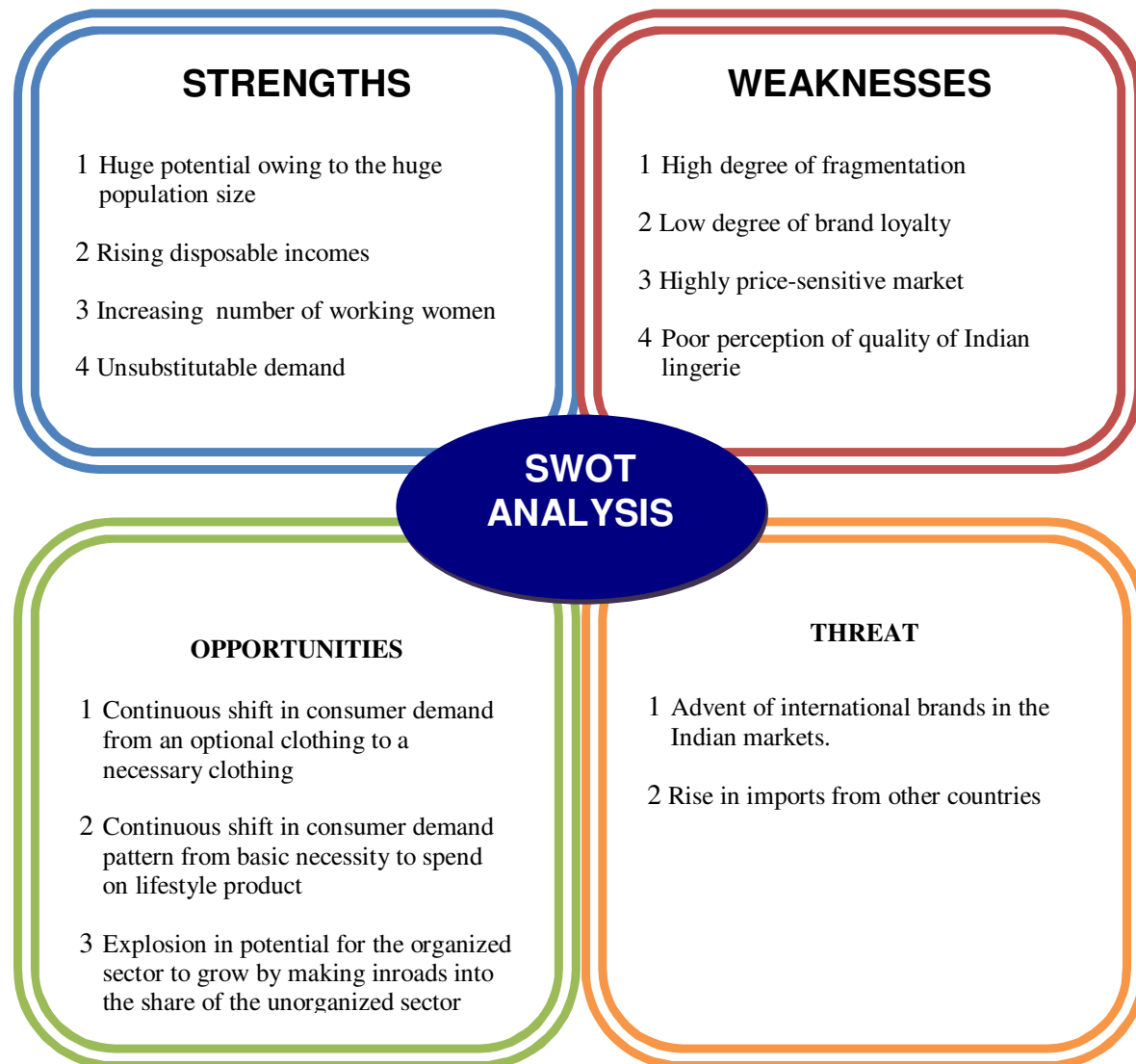
Characteristics of Indian consumers

- **High degree of value orientation:** The Indian consumer is highly value oriented. Such orientation to value has labeled Indians as one of the most dissatisfying consumers in the world. Even, premium and super premium category brands have to design a unique pricing and selling strategy in order to attract a Indian consumer.
- **High degree of family orientation:** Indian consumers are characterized by a high degree of family orientation. Brands with identities that support family values tend to be popular and are accepted easily in the Indian market.

Different classes of Indian consumers

- **Socialites:** This category mainly constitutes of the rich class. These are the brand conscious people who go to specialty stores for shopping. They welcome innovations and newness in products and are willing to spend on the lifestyle products.
- **The Conservatives:** Primarily the middle-class population falls under this category. This segment closely represents the true Indian consumer and culture. They are traditional in the outlook, cautious in their approach towards purchases, are family-oriented and focus more on savings than spending. They take a lot of time in making purchase decisions and seek a lot of information before making any purchase. They look for durability and functionality but at the same time are also brand-conscious. They prefer high-value consumer products.
- **The working women:** The working women segment is the one which has experienced a surge in the last decade. This segment has greatly attracted the Indian retailers. The image of the Indian women has been transformed from home makers to earners. Working women prefer to make their own decisions while purchasing the products which appeal them.

SWOT Analysis



Source: CARE Research

OUR BUSINESS

The financial figures used in this chapter, unless otherwise stated, have been derived from our Company's restated financial statements and audit reports for the relevant years.

Overview

Our Company, incorporated in the year 1987, is one of India's leading women's innerwear manufacturers. Our products include brassieres, panties, slips / camisoles, homewear, shapewear, foundation garments and sleepwear products. On December 26, 1995, our Company was licensed the brand "Lovable" from Lovable World Trading Company, USA. Subsequently, by an agreement dated December 23, 2000, our Company acquired the brand "Lovable" from Lovable World Trading Company, USA on an exclusive basis for the territories of India, Nepal, Sikkim and Bhutan. The innerwear products manufactured under the brand "Lovable" cater to the premium segment market in India.

"Lovable" and "Daisy Dee" are our flagship brands. Our brand "Lovable" is amongst the top three most preferred brand in women's innerwear in India (*Source: CARE Report*). As part of our growth strategy, we have diversified our portfolio of brands and acquired brands like "Daisy Dee" from Maxwell Industries Limited through a memorandum of understanding dated March 18, 2004 to cater the mid segment market in India and also acquired the brand "College Style" from Levitus Trading Limited, Hong Kong through a deed of assignment dated March 17, 2009 to cater to the young segment of India. Our Company has also in the past marketed the "Vanity Fair" brand of women's innerwear garments, which was licensed from VF Corporation Inc., USA.

Our Company's core competency lies in understanding the prevailing trends in the women's innerwear market and the buying preferences of our customers and accordingly manufacturing quality innerwear garments to assure our customers of product quality and fit consistency in trendy women's innerwear. In addition, our competency also lies in identifying the gaps and foraying into the untapped women's innerwear market segments with unique products. In the year 1995 our Company identified that the Indian market was developing and there was potential for launching and sustaining a premium women's innerwear brand and pursuant to a license agreement with Lovable World Trading Company, USA ("LWTC") we acquired the technical expertise for producing international standard innerwear for women. Our Company has its design studio since 1996. It was started and managed by our designers who were trained in the women's innerwear design at Lovable USA's studio in Atlanta.

We believe our Company has been successful in establishing one of the first international women's innerwear brand in the Indian market. Our Company is a marketing centric organisation, which works on the consumer's need and accordingly modifies the innerwear product and design know-how. Our Company sources certain international innerwear materials like lace and fabric for the women's innerwear products it manufactures and retails to premium outlets. Our Company segments the customer as per their psychographics, biases and affinities, and the look and fit and features desired. Our Company has established our product segments like All Day Long, Cotton Essentials, Encircle and Tease, at a time when women's innerwear market was at its nascent stage. We believe that these focused segments and their customer franchise remain our strength till today.

Our Company is headquartered in Mumbai, Maharashtra and has three (03) manufacturing facilities of which two (02) are situated at Kanakapura road in Bengaluru and one (01) is situated in Roorkee, Uttarakhand. Our two (02) manufacturing facilities situated in Bengaluru, Karnataka commenced operations in the year 1995 and the year 2005, respectively and have a total installed capacity of 30 lac pieces each per annum to manufacture brassiere and panties. Going forward, we propose to implement a project for modernization and integration at a new location in Uttarahalli Hobli, Bengaluru which will result in increase in capacity and value-addition by 25 lacs pieces per annum. The manufacturing unit situated at Roorkee, Uttarakhand commenced operation in February, 2010 and has an installed capacity of 7.5 lac pieces per annum to manufacture brassieres and panties.

Our first manufacturing facility was set up as per the specifications from LWTC. Similarly our other two manufacturing units maintain the same specifications to maintain international standards. Production lines were set up as per the layouts and configurations that were in use at our licensor's factories. Our production managers received training at LWTC's factory in Costa Rica, Central America.

In order to keep up with consumer tastes and fashion cycles, our Company has set up an in house design studio for developing innerwear products and creating styles to meet the global standards. We have a design studio in Bengaluru, Karnataka with the latest equipments and a team of designers. Our design studio is equipped with latest software with requisite hardware like digitiser, pattern grader, sampling, sewing machines and sample analyser. Our design studio has a team of designers, pattern makers and sample makers who put together international trends and innovative features in our innerwear products and which are updated from visits to international women's innerwear and raw materials fairs, industry literature and women's innerwear websites. Our Company continuously works on the basis of consumer feedback, by visiting trendsetting international markets and meeting market participants at such markets.

To market our products and increase the retail sales of our Company, we have undertaken the concessionaire retailing model. In this model, our Company procures dedicated retail space in leading high-traffic retail outlets like large format stores ("LFS") / department stores. In this dedicated space, our Company's brand "Lovable" makes the arrangement for stocking, displays and visual merchandising in the form of its "shop-in-shop" modules and its display fixtures. Unlike a multi-branded display, in this model the dedicated retail space stocks only our brand's products, reflects our brands visuals and is manned by our sales representative. By marketing our innerwear products through the "shop-in-shop" concept helps in displaying the entire range of products manufactured by us and in garnering more revenues for our Company. Currently, our Company has 127 counters in stores like Westside, Shoppers Stop, Lifestyle amongst others in 21 cities, all over India.

Our Company measures success in terms of customer satisfaction and quality that is built into every product. The value of commitment to quality is also cherished by each of our 1,209 staff members and is consciously upheld by our network comprising of 5 branches, 103 distributors, 1,425 direct dealers and approximately 7,500 multi brands outlets in 105 cities.

For the year ended March 31, 2010, we had a net sales of ₹ 8,695.35 lacs and net profit after tax of ₹ 978.96 lacs (excluding extraordinary items), as compared to net sales of ₹ 6,924. 26 lacs and net profit after tax of ₹ 601.94 lacs (excluding extraordinary items) for the year ended March 31, 2009.

Our net sales have grown at a CAGR of 29.77 % from ₹ 3,065.94 lacs for the year ended March 31, 2006 to ₹ 8,695.35 lacs for the year ended March 31, 2010. Our PAT has grown at a CAGR of 35.50 % from ₹ 290.43 lacs for the year ended March 31, 2006 to ₹ 978.96 lacs for the year ended March 31, 2010.

Competitive Strengths

Our principal competitive strengths are as follows:

1. Entrenched and long-standing market presence

Our Company's "Lovable" brand is one of the key brands in the premium and super premium women's innerwear segment (*Source: CARE Report*). Our "Lovable" brand was launched in India in the year 1996 and currently its women's innerwear products are sold in 1,425 stores across the country. The number of retailers selling our innerwear brands has grown steadily over the years from 100 in the year 1996 to 1,425 in the year 2010 due to the service that has been provided by our sales and marketing teams.

Our brand "Daisy Dee" was launched in the year 2005 and we believe it has a significant national presence. We believe that our brand "Daisy Dee" is one of the leading brands in the mid market segment which was launched at a time when moulded / seamless brassiere technology was at nascent stages in the mass market in India. We believe that our "Daisy Dee" innerwear products offer such technology at attractive price points to the mid market segment of India.

2. Usage of modern equipment and technology

Our Company has invested in modern technology and equipment across all areas of its operations. Our Company has installed Computer Aided Designing ("CAD") machines, imported moulding machines and sewing assembly

lines across all our plants. Our technology while ensuring that labour requirement is minimal facilitates quick turnaround times, innovative finishes and flexibility to adapt to changing fashion trends, consistency in quality *etc.*

Additionally, our Company also keeps abreast with the latest changes in technology by attending various international fairs, seminars, expositions and benchmarking with various brands in the world.

3. *Integrated operations and economies of scale*

Our Company's operations are integrated across the value chain from raw material procurement to cutting, moulding, stitching, and despatch. This in turn has enabled our Company to meet the time, quantity and quality requirement of our customers. Our business has a complex supply chain due to large variety in the product line and large number of stock keeping units. We have in house facilities for moulding, components assembly and lamination of fabrics. By virtue of our integrated operations, our Company derives benefits of economies of scales and quality control. We believe we are one of the few manufacturers of women's innerwear in India who run multiple production modules / production lines simultaneously which enable us to churn out a wide product range in varying batch sizes.

Our Company's total installed capacity and total capacity utilization as on December 31, 2010 is 67.50 lacs pieces per annum and 74.64% respectively which provides advantages of economies of scale. The large volumes ensure bulk quantity discounts on purchases and wide amortization of overheads resulting in reduced cost per unit. Larger sales volumes also help in faster sell through of our product ranges and frequent introductions of new ranges that impart innovation for the consumer in the stores.

4. *Locational advantages*

Our Company's plants are located at Bengaluru and Roorkee. These centres are well-connected by road and rail to the rest of the country. This facilitates the movement of raw material into the factory locations and finished products to the respective markets across the country.

Bengaluru has one of the largest garment clusters in India and this accords our Company many locational advantages like skilled managerial talent, skilled labour, vendor base, technical supports and low lead times from suppliers. These locational advantages have served our Company well since its first factory and we have chosen to expand at proximate locations.

5. *Strong distribution capabilities*

Our distribution channel is one of our key strengths. Our products are retailed through 103 distributors in India. These distributors are segmented geographically and also on the basis of the product range ("*Lovable*" and "*Daisy Dee*" being the key segments). Our Company caters to approximately 1,425 retail outlets for our "*Lovable*" brand and our distributors cater to approximately 7,500 retail outlets for our "*Daisy Dee*" brand. Retail outlets selling our products can be categorised in the following three (03) formats:

- Chain stores i.e. large format stores ("**LFS**");
- Multi Brand Lingerie Outlets ("**MBOs**"); and
- Hosiery products / innerwear stores.

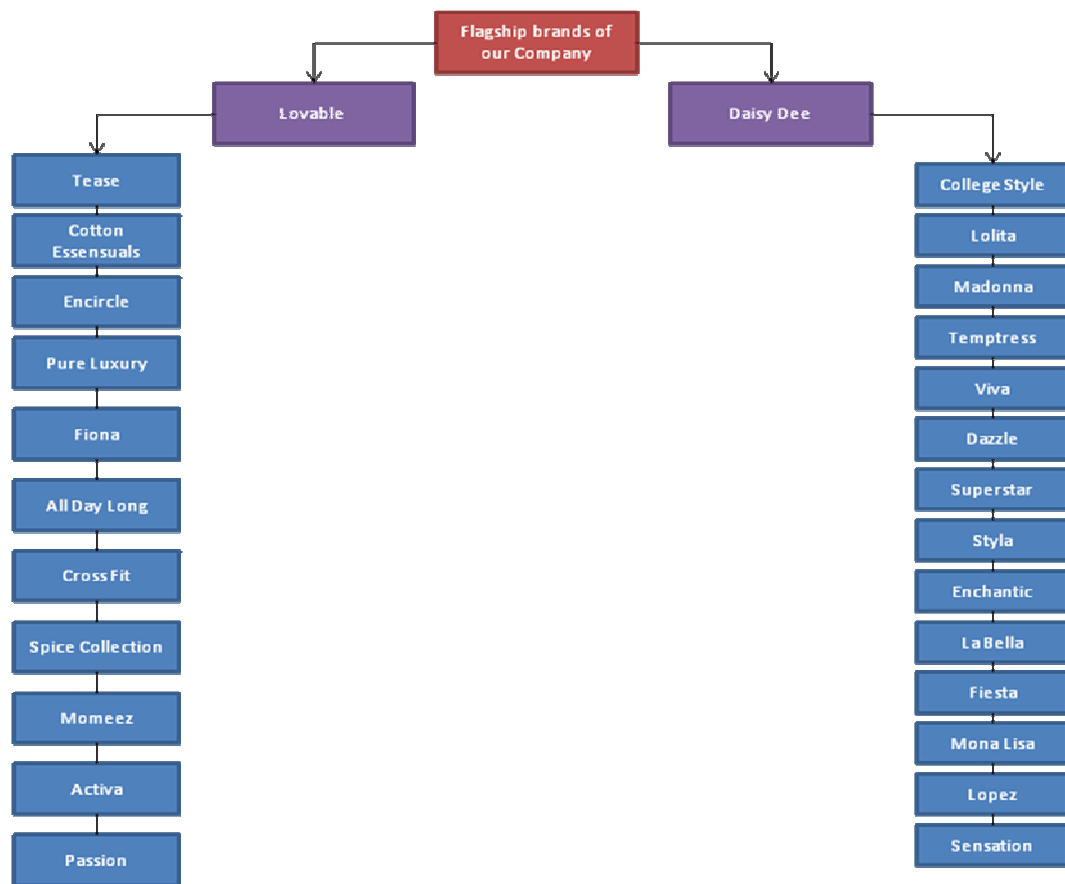
Women's innerwear in India is largely sold through the MBOs, hosiery products outlets and LFS. We believe we have an entrenched and a strong presence in MBOs and LFS serviced through our distributors or directly from our warehouses. Our distributors provide services of proximate supply in a timely manner and also attend to the credit needs of various retailers. The distributors work closely with the retailers and give feedback to our Company. Most of the distributors exclusively distribute our products in innerwear.

6. Product range and diversified customer base

Our Company has varied product range and our brands “Lovable”, “Daisy Dee” and “College Style” cater to diversified customers. Our brand “Lovable” is a premium women’s innerwear brand and where as “Daisy Dee” is a mid segment market brand.

Our Company has a comprehensive portfolio of product offerings that are conceived and planned for meeting the needs of consumers with some precise product benefits. For easy understanding by our retailers and consumers of our product offerings, our Company has organised its product ranges through certain sub-brands. Our Company communicates the product benefits of each category of products through these sub-brands. Our Company has a product range of approximately 50 styles under the “Lovable” brand and a product range of approximately 100 styles under the “Daisy Dee” brand.

Some of the leading sub-brands in the portfolio of the “Lovable” and “Daisy Dee” brands are as under:



The above approach for having a portfolio of wide product ranges for diversified customer profiles has helped our Company in tapping multiple avenues for enhancing revenues.

7. Product design and development

Design development and sampling forms an integral part of our Company’s operations and is considered as an effective tool for converting customer’s need into a product. Our Company has invested in building a design studio at our plants in Bengaluru for developing products and styles which are based on unique customer insights. Our design studio is supported by skilled and qualified designers from reputed fashion design institutes.

Our Company has a design library of approximately 1,000 designs. Our design studio also holds a knowledge bank of styles, innovations, customer salience, raw materials performance, fits and fits trials data, reasons for under-performance, etc. and it is invaluable in the development of our innerwear products. New designs are developed on a regular basis to add to our library of designs, concepts, features, fit patterns, material specifications and product specifications.

Our Company has also focused on new product offerings in order to gain customer and market share. Some of the innovative ranges that have been created by our design studio are:

(a) *Cotton Essensuals*

Cotton Essensuals is an everyday range of premium innerwear that suits the needs of Indian women's affinity for cotton rich fabrics.

(b) *Encircle*

Encircle is a full-support brassiere for full-figured women and is specially designed without under wires.

(c) *Tease*

Tease is a non-padded T-shirt brassiere, a category of innerwear ideally suited for young women. Unlike a padded T-shirt brassiere that's an oriental-asian concept, Tease is a new concept innerwear to cater to the demand of young women of today.

8. *Globally successful brand*

"Lovable" is an 85 years old brand with global presence. The brand "Lovable's" core value of innovation has led to strategies that have given the brand international success. "Lovable" is one of the few women's innerwear brands that has presence across continents. "Lovable's" international success is a derivative of its consumer centric strategies and commitment to quality and value. Our Company had introduced the international "Lovable" brand in the Indian market and making it amongst the top three most preferred brand in women's innerwear in India (*Source: CARE Report*).

9. *Leveraging the modern retail business model*

Our Company has undertaken the concessionaire retailing model as "shop-in-shop" modules in LFS. This model helps us in displaying our complete range of products thus in garnering more revenue from customers. Our sales and marketing teams, who are trained on product knowledge and on fitting out the customer, operate the "shop-in-shop" modules at these stores. Besides, they also provide in a structured manner the consumer feedback of our innerwear products which enable us to improve our existing products as well as introduce new products.

The spin-off benefits from forward integrating to the consumer facing front end are many in a marketing-led business. The most important benefits are direct un-filtered consumer response received by our sales representative which is an immediate barometer on the consumer psyche, quick testing of new innerwear products, response before launching them in other distribution channels, accurate counter sales data, etc.

Our Strategies

1. *Expansion of existing range of products through innovation*

Our Company endeavours to capitalize on its presence in the women's innerwear category, by widening of our product portfolio. We aim to strengthen our brand presence in the premium women's innerwear segment by launching women's innerwear in the super premium segment and thus exploit the untapped potential in these categories. Our Company intends to continue the culture of offering innovative products to our women consumers. Further, our Company proposes to extend the "Lovable" brand into product segments like sleepwear and home wear.

2. Multi-brand strategy

In the women's premium innerwear segment, our Company intends to make further investment in strengthening the brand equity and the lifestyles attributes of the "Lovable" brand by increasing its advertising and marketing activities. Our Company also intends to venture into leisure wear for women under our "Lovable" brand. The higher lifestyle connotation of the innerwear brand will enable the brand to be labelled on more products segments as a branded product. Our mid segment innerwear brand "Daisy Dee" is a brand that denotes specific products with their differentiated propositions through its various sub-brands. We intend to increase the presence of our "Daisy Dee" brand nationally with an increased level of advertising and publicity that would be required to support its market spread. Our Company also intends to foray into men's innerwear segment to expand our consumer base and diversify into another large segment of the innerwear industry. Diversifying into men's innerwear will help our Company enjoy synergies in all aspects of manufacturing and sourcing. Our Company will also be able to leverage its selling and distribution networks for this related product segment. Many of our MBO and Hosiery / innerwear retailers also sell men's innerwear and they will be receptive to a brand offering from our Company which enjoys a long-standing trade relationship with them. Our Promoter has significant experience in the men's innerwear industry and will help guide our Company's foray into men's innerwear.

Currently we have two flagship women's innerwear brands i.e. "Lovable" and "Daisy Dee" and we intend to further introduce new sub-brands according to the trends in the market, to compliment our existing bouquet of products, for example, leisure wear and night wear for women under the "Lovable" brand. In addition, our Company also intends to promote some of our innerwear sub-brands, such as "College Style", as flagship brands. Our Company proposes to invest considerably in marketing and advertising resources and scale-up our "College Style" sales team and leverage its distribution network for a nation-wide launch. We believe that our ability to strategically position our sub-brands will help us in increasing our customer base and our market share in the women's innerwear industry.

3. Modernisation and upgrading of our manufacturing facilities

Our Company believes in making investments for continuously achieving higher levels of excellence in its products. While planning the new manufacturing facility for modernisation and expansion, our Company has identified three goals and planned each investment for sub-serving these goals. For the goal of further "*improving fit consistency and quality assurance*" our Company is investing in the latest pattern design software that integrates comprehensively from design to product construction details, sizes grading algorithms, sewing margins, tolerances, etc. This software also digitizes everything in the design studio from sketches, line drawings, colourways and transposes them onto standardized brassiere construction templates. Some more measures for fit consistency and quality assurance that our Company is investing in are computer-controlled sewing machines for accurate seam lengths and sewing tensions that enable consistency in fitting critical garments like innerwear. For reduction in the human role in quality assurance, our Company is installing customized attachments on its sewing machines that effectively reduces the sewing operator's role.

For the goal of "*enhancing operator productivity*", our Company is investing in programmable sewing work stations, auto-thread trimming sewing machines, sewing machines with excess fabric trimming and lint collection, etc. Besides enhancing operator productivity and saving manpower cost per garment, these measures also reduce the laborious and mechanical elements of the operators work and reduce their work fatigue and thereby enhancing product quality and productivity.

For the goal of "*installing specialized equipments*", Our Company is investing in specialized equipments for operations like strap making which are essential for handling the production volume needs. Our Company is also integrating further in brassiere cups and pads moulding by installing specialized moulding machines for some components that are presently outsourced / imported. This will improve flexibility in production lead times thus realising higher margins.

4. Channels leveraging for pan India presence

The growth rate of the innerwear market is driven by new customer demographics entering our target segments and also by customer's willingness to buy higher price segment innerwear. For catering to various customers, it is

necessary for our Company to increase its retail base and distribution network. For expanding distribution of our innerwear brands, our Company intends to deploy additional sales team resources and intensify the market coverage activities on a fast moving consumer goods (“**FMCG**”) model. Our Company is working to leverage our existing distribution channels to reach more retailers.

As more women are working and participating in the fast growing economy of India, the disposable income of women has increased to spend on lifestyle products hence, the market for premium women’s innerwear products is likely to grow from 15.8% in the year 2009 to 28% by the year 2014 of the Indian innerwear market (*Source: CARE Report*). Our Company intends to leverage a large share of this demand growth by a large growth in “shop-in-shop” outlets in the LFS. Our Company also intends to leverage such opportunities and expand our pan India presence.

5. *Expanding the retail space*

“Lovable” brand works on the concessionaire retailing model with some large retailing stores like Shoppers Stop, Lifestyle, Westside amongst others. This model helps us in displaying the full range and in garnering more revenue from LFS customers. Our Company’s sales representatives operate at the “shop-in-shop” modules at these retail stores and the retailing done at these retailing stores is an extension of our Company’s activity. Working on this model has helped our Company gain insight on forward integration activity i.e. retailing. Our sales representatives who man our “shop-in-shop” are trained by our Company on product knowledge, fitting out the customer and sales closing techniques and getting consumer feedback.

Our Company gradually intends to expand our retailing space beyond the concessionaire retailing model. Our Company is observing and participating in various innerwear retailing formats as they develop and mature, therefore gaining experience of retailing while executing the concessionaire retailing model. Our Company intends to develop the exclusive brands outlets concept that will be a speciality women’s innerwear retailing model and that will retail our Company’s existing innerwear brands, the super premium brand that we intend to launch and also retail the products that our Company is venturing into like sleepwear, homewear, etc. Our Company believes that this concept will increase our retailing presence, brand awareness and space dedicated to our brands.

6. *Explore inorganic growth opportunities*

Our Company believes that inorganic growth opportunities would be a “growth and value driver” in its future strategic plans. Our Company has in the past acquired the brands “Lovable”, “Daisy Dee” and “College Styles”. To enhance our existing innerwear business, our Company may acquire or partner with any company in the innerwear business to enable us to access new products or diversify into newer markets that have large growth potential for our Company. Our Company believes that pursuing selective acquisitions, partnerships, or alliances in domestic markets and internationally would improve our competitiveness, further broaden our product offerings and strengthen our market position.

In this regard, our Company has entered into a joint venture agreement with Lifestyle Galleries of London Limited (“**Lifestyle Galleries**”) to establish a joint venture company in India by the name of Lovable Lifestyles Private Limited (“**Lovable Lifestyle**”). Lovable Lifestyle intends to launch product lines in women’s innerwear and in related lifestyle categories.

7. *Increasing revenue streams by exports*

It is our Company’s endeavour to increase the export sales of our innerwear products by exporting our products to countries like Sri Lanka, UAE and Bangladesh to enhance its geographic reach. We believe our Company’s brand “Daisy Dee”, also has the potential to grow in developing markets similar to India.

Our Company believes that for a distinctive innerwear product with a good brand positioning, there exists potential to establish its franchise and to carve out a viable branded segment even from a market that is commoditized and non-brand conscious. Our Company has a consumer-centric focus based on learnings about the consumer and also understands the psyche with respect to women’s innerwear. These will be our key strategies that will guide our Company’s international foray with its brands.

Threats and Weaknesses

1. Low degree of brand loyalty

We believe, we have a comprehensive portfolio of women's innerwear products that are conceived and planned for meeting the needs of consumers. The success of any of our products is dependent on the brand loyalty generated by our products. Due to the highly competitive nature of the industry in which we operate our target customers tend to switch over to the products manufactured by our competitors thereby generating a low level of brand loyalty towards our products which may result in us losing our market share to our competitors.

2. Fluctuations in the availability, prices and the quality of raw materials

We are significantly exposed to the fluctuations in the availability, prices and the quality of raw materials. While we believe that we could find additional vendors to produce these fabrics and other raw materials, any failure of our suppliers to deliver these fabrics and raw materials in the necessary quantities at competitive pricing or to adhere to delivery schedules of specified quality standards and technical specifications would adversely affect our production processes and as a result adversely effect our business, financial condition and results of operations.

3. Labour intensive nature of our Company

Our Company's activities are labour intensive. Strikes and other labour action may have an adverse impact on our operations. Further, our third party suppliers of raw materials, including suppliers from international markets, may experience strikes or other industrial action. Any strike, work stoppage or other industrial action experienced by us or our third party suppliers of raw materials could result in production losses and delays in delivery of our products, which may adversely affect our operations and profitability.

4. Competition from other manufacturers

The industry in which we operate is characterized by constant product innovation due to changing consumer preferences and evolving fashion trends. To compete successfully in the industry, we must be able to identify and respond to changing consumer demands and tastes, as well as operate within substantial production and delivery constraints. Changes in product mix may impact our operating results and our margins.

Further, creativity is one of the key attributes for success in this industry. For us to remain competitive in respect of appealing designs, shapes and colour combinations, the designers of our Company have to keep themselves abreast with the latest global trends and also understand the design requirements of the customers.

For further details on our threats and weaknesses, please refer to the chapter titled "***Risk Factors***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***General Information - Grading Rationale***" on pages 11, 208 and 50 respectively of the Red Herring Prospectus.

Facilities

Our Company's main operations are located in India and its principal facilities include three manufacturing plants with two of them in Bengaluru and one in Roorkee.

S. No.	Unit	Leasehold / Freehold
1.	S.No. 18/2, Srinivasa Industrial Estate, Kanakapura main road, Bengaluru – 560 062	Leasehold
2.	Daisy Dee factory, 46/2, Guruprasanna Industrial Area, Doddakallasandra, Konanakunte cross, Kanakapura Road, Bengaluru – 560 062	Leasehold
3.	Khasra No. 986 M, Salempur, Rajputana Industrial Estate, Dist. Haridwar, Roorkee – 247 667.	Leasehold

Capacity

The table below sets out our installed capacity and capacity utilization:

(Figures in units per annum)

Particulars	Fiscal 2008	Fiscal 2009	Fiscal 2010	As of December 31, 2010
Manufacturing units at Bengaluru, Karnataka (Unit I and Unit II)				
Installed Capacity	60,00,000	60,00,000	60,00,000	60,00,000
Capacity Utilization (%)	66.93	71.57	72.94	72.33
Manufacturing unit in Roorkee, Uttarakhand				
Installed Capacity	-	-	7,50,000*	7,50,000
Capacity Utilization (%)	-	-	*	93.18

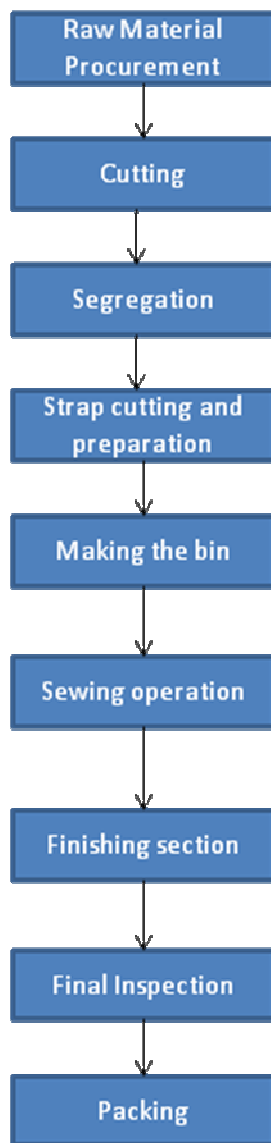
* Since the manufacturing facility at Roorkee was started in February 2010, therefore data for Fiscal 2010 is not available.

Manufacturing process

As per the sales plan and production schedule the raw material is procured from various sources both domestically and internationally.

The primary raw materials that are used in the production process are fabrics of following types: cotton lycra circular printed, polyester cotton, warp knitted powernet, warp knitted satin, polyester cotton spacer fabric, laminated fabrics and laces of various types. Other raw materials used are shoulder straps, elastic, hook and eyes, rings and sliders, sewing threads, moulded cups, etc.

A systematic diagrammatic manufacturing process is as follows for brassieres:



The production process is as follows for brassieres:

1. Raw materials

Raw materials are procured from the stores as requisitioned by the production planning department and all the raw material pertaining to that planned production are then issued to the cutting department along with work order. The work order provides the details of design / pieces to be cut and the required sizes.

2. Cutting

The cutting department has the pattern made by the designing and pattern grading department. Accordingly, as per the pattern, the fabric is spread over in the form of layers and cut into various shapes as per the cutting patterns / templates after the grid marking is done. The cutting is done with the help of straight knife cutting machines. The accurate shaping of small pieces is done on Band Knife machines.

3. Segregation

The cut parts are segregated according to the sizes and simultaneously the fabric is checked for any defects.

4. Strap cutting and preparation

Shoulder strap elastic comes in long lengths and according to the size specifications the elastic is cut and rings and slides are inserted into the straps. The straps are stitched after the insertion of rings and slides.

5. Making the bin

Each Work Order is issued with a specified batch quantity and the cut raw materials and components pertaining to that batch and then bundled and placed in a bin. The bin is the physical compartment in which the raw materials of a specific batch are controlled. The cut parts of fabrics, straps are put in the bin to avoid mixing of sizes. All other materials of the innerwear like hooks, eyes, labels, etc are put in the bin along with work order so as to maintain the size, number of pieces to be sent to stitching section.

6. Sewing operation

In the sewing section the parts undergo various sewing operations. The sewing operations are done on various types of sewing machines like single needle, double needle, 2 step zig zag, flat locks, bar tack etc.

Depending on the design requirements the sewing sequences are lined up and sewing operation are done. Each style has a well-defined sequence for fabrication / sewing assembly line. The bin moves precisely in that sequence from machine to machine and as it moves the garment gets assembled. Great care is taken to maintain the standards like stitch length, and inspection is done during the process to see whether the measurements are as per the design standards. We have in process quality control systems that inspect and measure each garment mid-way in the sewing sequence and control it before it goes for final sewing operations.

7. Finishing section

In the finishing section small threads are cut and the products are inspected for any visual defects like pen marks or any stains. Then the production in the bin is moved for final inspection.

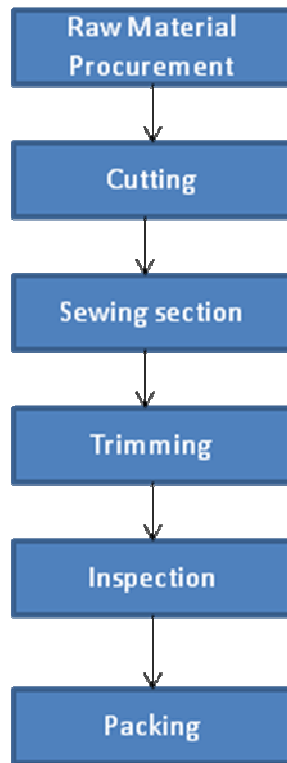
8. Final inspection

In the section the brassieres are thoroughly checked for measurements, visual defects, if any, are then segregated and rejected. All the inspected brassieres are sent for packing.

9. *Packing*

The products received are packed in specific packaging cartons and are then sent to finished store for storing and onward dispatch to distributors/ customers.

A systematic diagrammatic manufacturing process is as follows for panties:



The production process is as follows for panties:

1. *Raw materials*

Raw materials are procured from the stores, as per production schedule and work order. The main raw material is knitted fabrics in various colors and prints and other raw materials used are elastics, sewing threads and packaging.

2. *Cutting*

The fabric is spread over on the cutting table in layer from. The pattern is sketched on the fabric and marking is done once the marking is done the cutting is done with help of straight knife machine along the marked liner. All the cut parts are then bundled as per the size and styles.

3. *Sewing section*

Once the cut parts and elastics are received, various sewing operation are done. There are various sewing operations like stitching front and bottom portion, joining elastic to the pieces, stitching the sides, attaching waist elastic. Once the sewing operations are done the bundles pieces are moved to terming section. Various different types of sewing machines are used like overlock, flat lock, single needle, plain stitch machines are used sewing section.

4. Trimming

Small loose ends sewing threads are trimmed and the pieces item move to inspection section

5. Inspection section

The pieces are inspected against the standards fixed by the design department in terms of measurements like waist measurement, side, bottom, leg opening, etc. Once the inspection is done the product is moved to the packing section.

6. Packing section

The products are folded to fit in to the packaging carton and then put into the cartons and moved to finished store and the products are ready for dispatch.

Our Products

Our Company manufactures women's innerwear through its flagship brands "Lovable" and "Daisy Dee". Our brand "Lovable" is a premium women's innerwear brand and where as "Daisy Dee" is a mid segment market brand. Our brands sell their various innerwear products through its sub-brands and cater to diversified segments of customers. Some of our popular sub-brands are "Tease" which is a non-padded T-shirt brassiere, which caters to the demand of young women of today; "Momeez" is a brassiere which has been specifically designed for postnatal mothers and "Encircle" is a full-support brassiere for full-figured women and is specially designed without under wires, are some of our sub-brands. A brief write-up on our products is summarized below:

Products	Flagship brands	Sub-brands	Brief description
Brassieres and Panties	Lovable	<ul style="list-style-type: none"> Pure Luxury Fiona All Day Long Cross Fit Spice Momeez Activa Passion 	"Lovable" is a premium women's innerwear brand and has a diversified range of innerwear. The sub-brands in this category cater to everyday range of comfortable innerwear which is available in superior cotton fabrics, vibrant styles that are ideally suited for young women of today and nursing brassieres for postnatal mothers.
	Daisy Dee	<ul style="list-style-type: none"> Lolita Madonna Temptress Viva Sport Dazzle Superstar Styla Enchantic La Bella Fiesta Monalisa Lopez Sensation 	"Daisy Dee" is a mid segment market brand and primarily a salwar kameez brassiere. The products in this category consist of exclusive embroidered fabric to give the brassiere a distinctive look that suits the need of Indian women for ethnic wear etc.
Slip/Camisole	Lovable and Daisy Dee	-	Sleeveless slip-on innerwear made from materials such as cotton, nylon and satin.

Products	Flagship brands	Sub-brands	Brief description
Loungewear/Homewear/Sleepwear	Lovable	Leisure (Loungewear)	Comfort wear garments made from cotton fabrics for daily wear.

Customers

Our key customers include names like Shopper's Stop, Westside, Lifestyle amongst others. The details of our customers, in terms of contribution towards our sales, are as follows:

Particulars	Fiscal 2008 (₹ In Lacs)	Fiscal 2009 (₹ In lacs)	Fiscal 2010 (₹ In lacs)	December 31, 2010 (₹ In lacs)
Top Customer	219.54	207.79	225.17	236.56
Top five (05) customers	840.67	841.19	974.37	1,017.47
Top ten (10) customers	1341.30	1378.96	1625.54	1,649.67

Raw Materials

At present, we procure the following raw materials to be used at our units:-

- (I) *Fabric*: For our products we use fabric of various types like polyester cotton fabric, polyester cotton lycra underwire fabric, laces. These are procured mainly from domestic and overseas suppliers.
- (II) *Accessories and packing material*: The main accessories required in our innerwear products are elastics, hooks eye, rings, sliders, and bows which are imported or bought from the local market depending upon the requirements of the order.

The table below summarises the expenses incurred by our Company on the purchase of raw materials:

Particulars	Fiscal 2008		Fiscal 2009		Fiscal 2010	
	Quantity	Amount (₹ In Lacs)	Quantity	Amount (₹ In Lacs)	Quantity	Amount (₹ In lacs)
Fabric (in meters)	4,96,090	377.81	3,16,229	161.01	11,42,054	769.31
Other items	1,40,45,102	724.91	1,50,02,271	637.80	1,40,56,751	586.01

Details of raw materials procured by our Company:

Particulars	Fiscal 2008	Fiscal 2009	Fiscal 2010	Amount (₹ In Lacs)
				December 31, 2010
Top Supplier	234.49	237.32	214.83	420.42
Top five (05) suppliers	1,090.83	779.18	806.94	1,454.17
Top ten (10) suppliers	1,717.93	1,226.19	1,189.78	1,851.15

Existing Utilities

Power

In our units in Bengaluru, the sanctioned load is 125 KVA from BESCOM against which the present minimum usage is of 100 KVA. As back up, we have two generator sets of 160 KVA and 40 KVA, respectively.

In our unit in Roorkee, the sanctioned load is 14 KVA against which the present minimum usage is of 10 KVA.

Water

We have two (02) bore wells at our units in Bengaluru to meet the drinking water and sanitary requirements and the annual usage of water is 1,500 kilo liters p.a. At our unit in Roorkee we have one (01) bore wells to meet our water requirements. The present usage of water at our units is 150 kilo liters p.a. and it is used only for domestic purposes for our employees.

Fuel

At our Bengaluru units and Roorkee unit we use diesel for DG sets (generators), which are used as standby arrangement for power. At present we have two generators with a load capacity of 200 KVA. The present usage of diesel is 2,400 liters per annum for our Bengaluru units and 400 liters per annum for our Roorkee unit.

Employees

As of January 31, 2011, we had 1,209 employees. The following table sets forth the number of our employees as of March 31, 2008, March 31, 2009, March 31, 2010 and January 31, 2011:

Departments	March 31, 2008	March 31, 2009	March 31, 2010	January 31, 2011
Production	733	689	689	826
Sales	265	224	224	299
Administration	55	58	62	80
Design	2	2	2	4
Total	1,055	973	977	1,209

Marketing, sales and distribution

Our Company's marketing team is headed by the General Manager – Sales and marketing supported by Regional sales managers, area sales managers and marketing executives.

For our “Lovable” brand, our Company operates under the concessionaire retail model which is also known as “shop-in-shop” channel at various LFS /department stores. These “shop-in-shop” are operated by over 100 of our sales representatives, who in turn report to our Regional Sales Managers. Innerwear products for LFS are supplied by billing directly to the LFSs. Under our “Lovable” brand for catering to premium MBOs, we have a sales team of 114 persons who procure orders and provide service to the premium MBOs. Frontline sales team report to the Regional Sales Managers who in turn report to the General Manager (Sales). “Lovable” brand of goods for premium MBOs are supplied by billing directly to the MBOs.

For the distribution of our innerwear under the “Lovable” and “Daisy Dee” brand we have 5 branches at New Delhi, Mumbai, Kolkata, Chennai and Hyderabad. Our branch in Hyderabad is operated on a carrying and forwarding basis.

For wider distribution of our innerwear under the “Lovable” brand, we have a distribution channel of 34 distributors. The sales orders from MBOs are procured by our sales team and passed on to the distributors for supplying. Our sale billing in these products is raised on the distributors.

For our “Daisy Dee” brand, our Company has an independent sales team and distribution channel. “Daisy Dee” is widely distributed to various MBOs. To cater to the large number of MBOs, our Company deploys a sales team of 114 and we have 69 distributors.

Our marketing and sales strategies are based on international market survey and research. In order to get updated on market trends, our marketing team takes part in various international and national fairs. We have an in-house design studio for our innerwear brands which is staffed with competent and experienced teams. Our in-house team works closely with the marketing team to understand customer's needs. Our staff uses various techniques such as desk

based fashion forecasts using magazines and journals to develop new collections based on seasonal colours and fabrics.

In domestic market our innerwear are sold under the brand name "Lovable" and "Daisy Dee". Our products are sold through a network comprising of 103 distributors, 1,425 direct dealers and approximately 7,500 multi brands outlets in 105 cities.

Details of direct retailers and distributors are as follows:

Particulars	Domestic (Zone wise)				Total
	North	South	East	West	
Direct retailers	227	419	317	462	1,425
Distributors	34	36	18	15	103

Competition

Our competition comes from the innerwear products being offered by various women's innerwear companies and also from companies that cater to various segments of the innerwear market. To remain competitive, we strive to reduce our cost of production and improve our product offerings, our brand salience, our advertising communications and our operating efficiencies. Our Company faces competition from brands like Triumph, Enamor, Amante, Jockey, Juliet, Softline and others.

Subsidiaries, strategic alliances and joint ventures

Our Company has entered into a joint venture with Lifestyle Galleries of London Limited, a company incorporated in the UK, to establish a joint venture company in India by the name of Lovable Lifestyles Private Limited. For further details please refer to chapter titled "*History and Certain Corporate Matters – Joint Ventures*" on page 137 of the Red Herring Prospectus.

As of the date of the Red Herring Prospectus we have no subsidiary or any strategic alliances.

Intellectual Property

Our Company has a total of 19 trademarks which are registered in our name. Our Company has not yet filed an application for renewal of registration of the said trademark with the Registrar of Trademarks.

Our Company has also filed applications for registration of a total of 14 trademarks, which are pending approval from the Registrar of Trademarks. Further, one of the trademarks acquired by us from M/s Hybo Hindustan vide deed of assignment dated June 05, 2006, is pending registration with the Registrar of Trademarks. Also, our Company uses some unregistered trademarks for which no applications for registration have been filed with the Registrar of Trademarks.

For further details on the status of our trademarks, please refer to the chapter titled "*Government Approvals*" chapter on page 244 of the Red Herring Prospectus.

Properties

Our registered office located at A - 46, Street No. 2, MIDC, Andheri (East), Mumbai – 400 093, our Bengaluru units and Roorkee unit are properties taken on lease by us.

S. No.	Particulars	Description of the Property	Remarks
1.	Registered Office	A-46, Road No. 2, M.I.D.C., Andheri (East), Mumbai – 400093.	Our Company entered into a license agreement dated July 1, 2009, with M/s Techknit

S. No.	Particulars	Description of the Property	Remarks
			Industries, for a period of 5 years commencing from July 1, 2009.
2.	Lovable division	S.No. 18/2, Srinivasa Industrial Estate, Kanakapura main road, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated October 1, 2010, with Mr. S. Venkatesh Babu, for a period of 11 months commencing from October 1, 2010.
3.	Lovable division (earlier operating as Vanity Fair division)	41, J.C. Industrial Estate, Yelachenahalli village, Kanakapura main road, J.P. Nagar Post, Bengaluru – 560078	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated July 20, 2006, with Mr. M. Subramanyam, for a period of 5 years commencing from July 10, 2006.
4.	Daisy Dee division	S.No. 28/1A, Doddakallasandra Village, near Kumaran Children School, Kanakapura Road, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated October 14, 2010, with Mr. A. Govindappa, for a period 11 months commencing from August 22, 2010.
5.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Smt. Rukminiyamma, for a period of 2 years commencing from May 10, 2010.
6.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Smt. Sharadamma, for a period of 2 years commencing from May 10, 2010.
7.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Shri K. Manohar, for a period of 2 years commencing from May 10, 2010.
8.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Shri S. Lokesh, for a

S. No.	Particulars	Description of the Property	Remarks
			period of 2 years commencing from May 10, 2010.
9.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Smt. B.R. Shashikala, for a period of 2 years commencing from May 10, 2010.
10.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Smt. B. Chandrika, for a period of 2 years commencing from May 10, 2010.
11.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Shri K. Srinivasa, for a period of 2 years commencing from May 10, 2010.
12.		S.No. 46/2, in Doddakallasandra Village, Uttarahali Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated June 30, 2010, with Shri K. Shivashankar, for a period of 2 years commencing from May 10, 2010.
13.		S.No. 21/9, Konanakunte Cross, Uttarahalli Hobli, Bengaluru South Taluk, Bengaluru – 560062.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated December 14, 2009, with Shri Mohan Kumar J., Smt. T. Sumathi, M. Hemant Kumar and Krishna Murthy J., for a period of 2 years commencing from March 1, 2009.
14.	Uttarakhand unit	Khasra No. 986M, Village Salempur Rajputana, Roorkee, District Haridwar, Uttarakhand.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated January 11, 2010, with M/s Hi Tech Control System, for a period of 5 years commencing from January 15, 2010.
Branches			
15.	Kolkata	No. 55, Canal East Road, Beliaghata, Kolkata – 700085	Leasehold rights over the said property were acquired by our Company pursuant to a lease

S. No.	Particulars	Description of the Property	Remarks
			agreement dated April 1, 2010, with M/s Heilgers Private Limited, for a period of 3 years commencing from April 1, 2010.
16.	Chennai	No. 54, L.D.G. Road, Little Mount, Venkatapuram, Mambalam – Guindy Taluk, R.S. No. 61/10 and Block No. 3.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated January 1, 2010, with Mrs. Omana James, for a period of 2 years commencing from January 1, 2010.
17.	Delhi	D-20, Okhla Industrial Area, I Phase, New Delhi – 110020.	Leasehold rights over the said property were acquired by our Company pursuant to a lease agreement dated April 1, 2010, with Mr. G. Ashok Reddy, for a period of 5 years commencing from April 1, 2010.
18.	Hyderabad	5-2-62/136, Hyderbasti, Behind Bible House, R.P. Road, Secunderbad	The premise is being used by M/s. Surya Agencies on a carrying and forwarding basis for a period of 24 months commencing from November 1, 2010.

Insurance

Our Company maintains insurance policies to cover our assets against natural calamities including fire, earthquake, etc. Our Company believes that the policies we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business and are in accordance with industry standards.

KEY INDUSTRY REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws, regulations and policies as prescribed by the GoI that are applicable to us. 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 investors and are neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Our Company is involved in the business of manufacturing women's innerwear. We have established 2 manufacturing facilities at Bengaluru (Karnataka) and 1 manufacturing facility at Roorkee (Uttarakhand). We also have branches at Hyderabad (Andhra Pradesh), Mumbai (Maharashtra), Delhi, Kolkata (West Bengal) and Chennai (Tamil Nadu). Our Company is governed by various central and state legislations with respect to its business operations. Some of the key legislations, rules and regulations applicable to our Company are summarised hereunder:

TRADE RELATED LEGISLATIONS

Foreign Trade (Development and Regulation) Act, 1992

The Foreign Trade (Development and Regulation) Act, 1992 ("**FTDRA 1992**") seeks to increase foreign trade by regulating imports and exports to and from India. The FTDRA 1992 prohibits a person or company from making any exports or imports unless such a person or company has been granted an importer-exporter code number.

State Shops and Establishments Acts

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

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

TRADE RELATED INCENTIVES

National Textile Policy – 2000

The National Textile Policy – 2000 ("**NTxP 2000**") aims at facilitating the growth of the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. This objective is sought to be achieved by liberalising controls and regulations so that the different segments of the textile industry are enabled to perform in a greater competitive environment. One of the key thrust areas of the NTxP 2000 is on the implementation, in a time bound manner, of the Technology Upgradation Fund Scheme ("**TUFS**") covering all manufacturing segments of the industry. The NTxP 2000 also seeks to enable the industry to build world class state of the art manufacturing capabilities in conformity with environmental standards. Efforts are also being made to improve the availability, productivity and quality of raw materials at reasonable prices for the industry.

In furtherance to the abovementioned objectives, the strategic thrust of the GoI under the NTxP 2000 is on:

- technological upgradation;

- enhancement of productivity;
- quality consciousness;
- strengthening of the raw material base;
- product diversification;
- increase in exports and innovative marketing strategies;
- financing arrangements;
- maximising employment opportunities; and
- integrated human resource development.

Technology Upgradation Fund Scheme (“TUFS”)

The Ministry of Textiles, GoI, had initially launched the TUFS for the textile, jute and cotton ginning and pressing industries for a five-year period from April 1, 1999 to March 31, 2004. Subsequently, the TUFS was extended until March 31, 2007. The union budget announced by the GoI on February 28, 2007 extended the TUFS to March 31, 2012. The TUFS provides for a reimbursement of 5% on the interest charged by a lending agency for financing of a project of technology upgradation in conformity with this scheme. The main objective of this scheme is to sustain and improve the competitiveness and overall long term viability of the textile industry and to ensure timely and adequate access to capital in order to allow upgradation to a higher technology level. This objective is sought to be achieved by providing a focal point for modernization efforts through technology upgradation in the Indian textile industry and make available adequate capital from banks and financial institutions for modernization at internationally comparable rates of interest.

Certain identified sectors in the textile industry, including spinning, cotton ginning and pressing, silk reeling and twisting wool scouring and combing, synthetic filament yarn texturising, crimping and twisting, manufacturing of viscose filament yarn/viscose staple fibre, weaving/knitting including non-wovens and technical textiles, garments, made-up manufacturing, processing of fibres, yarns, fabrics, garments and made-ups and the jute sector are eligible to avail the concessions available under the TUFS for their technology upgradation requirements.

Suvarna Vastra Neethi: 2008 – 2013

The Suvarna Vastra Neethi: 2008 – 2013 (the “**Scheme**”) is the new textile policy promulgated by the Government of Karnataka replacing the earlier ‘Textile Policy: 2004 – 2009’. Acknowledging the contribution of textile and garment sector in terms of industrial production, employment generation and export earnings, the Scheme aims at achieving the below mentioned threefold objectives:

- To achieve balanced, higher and sustainable growth in the entire textile value chain from fibre to finished products, with emphasis on balanced regional development.
- To increase the income levels of the people dependent on the small and medium enterprises within the textile and garment sector thereby creating additional employment opportunities to at least 5 lac people during the policy period.
- To facilitate emerging units in critical areas such as production technology, market research and development, human resource development and information technology enabled services for exploiting the emerging global and domestic trade opportunities.

In furtherance of the aforementioned objectives, the focus areas for providing interventions to the textile and garment industry will be on:

- (a) Strengthening of textile value chain activities;
- (b) Geographical dispersion of textile and garment units;
- (c) Human resource development;
- (d) Infrastructure development;
- (e) Market development and branding;
- (f) Design development and product diversification;
- (g) Institutional development;
- (h) Standards and compliance; and
- (i) Technology upgradation of the entire textile value chain.

The Scheme is applicable to all units which are engaged in various value chain activities of the industry such as spinning, weaving (power loom and handloom) including pre loom activities, knitting, processing, garmenting, units engaged in manufacturing technical textiles and all other supporting ancillary activities including textile machinery manufacturing. The Scheme provides various incentives in the form of credit linked capital subsidy, entry tax reimbursement, stamp duty reimbursement, power subsidy etc., and targets to create employment for 5 lac people and attract investment of ₹ 10,00,000 lacs during the period of the Scheme.

Recognising the potential of Bengaluru as a fast emerging garment capital of India, the Scheme proposes to establish a 'Fashion Hub' at Bengaluru with the objective of attracting all domestic and international professionals from the field of fashion, design, buying houses and business representatives on a single platform to facilitate business with India. The 'Fashion Hub' will also serve as a research and development centre to project and explore Indian capabilities in design technology and quality standards, and act as a sourcing hub catering to all fashion industry requirements.

TAX RELATED LEGISLATIONS

The Central Sales Tax Act, 1956

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

State Sales Tax/Value Added Tax Legislations

In India, sales tax is levied at two levels, at the central level under the CST Act and at the state level under the respective state sales tax/value added tax legislations.

Intra-state sales, i.e. sale of goods within the jurisdiction of a state are levied with a value added tax (“VAT”) under the VAT legislation of that state. The state government has the authority to notify the rate of VAT applicable to sale of goods. Registration of a dealer, under the applicable state VAT legislation, can either be mandatory or voluntary. Registration is mandatory when the total sales turnover of the dealer exceeds the threshold limit provided in the applicable state VAT legislation. However, where the prescribed threshold limit is not breached, the dealer may, at his own option, register himself under the applicable state VAT legislation. The following state VAT legislations are applicable to us:

- Karnataka Value Added Tax Act, 2003;
- Andhra Pradesh Value Added Tax Act, 2005;
- Maharashtra Value Added Tax Act, 2002;

- West Bengal Value Added Tax Act, 2003;
- Delhi Value Added Tax Act, 2004;
- Tamil Nadu Value Added Tax Act, 2006; and
- Uttarakhand Value Added Tax Act, 2005.

LABOUR AND EMPLOYEE RELATED LEGISLATIONS

The Factories Act, 1948

The Factories Act, 1948 (the “**Factories Act**”), seeks to regulate the work conditions of the workers employed in factories and makes provisions for the health, safety and welfare of such workers. The Factories Act makes it mandatory for every factory to obtain registration with the prescribed authorities designated under the Factories Act. The term ‘factory’, as defined under the Factories Act, means any premises which employs or has employed on any day in the previous 12 months, 10 or more workers and in which any manufacturing process is carried on with the aid of power, or any premises wherein 20 or more workmen are employed at any day during the preceding 12 months and in which any manufacturing process is carried on without the aid of power.

The Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947, was enacted to make provisions for the investigation and settlement of industrial disputes. This Act aims at promoting measures for securing amity and good relations between the employer and workmen, preventing illegal strikes and lock outs and providing relief to workmen in the matter of lay-off, retrenchment and closure of an undertaking.

The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952

The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952 (the “**EPF Act**”) was introduced with the object to establish provident funds, pension funds and deposit-linked insurance funds for the benefit of employees in factories and other establishments. The EPF Act is applicable to all establishments which employ more than 20 persons, and to factories specified in Schedule I of the EPF Act which employ more than 20 persons. The funds constituted under the EPF Act consist of contributions from both the employer and the employees, in the manner specified in the EPF Act. The central or state government, as the case may be, may by a notification in the official gazette grant exemption to establishments or factories from the application of all or any of the provision of the EPF Act, if it is of the opinion that the employees in such establishments or factories receive benefits which are not less favourable than the benefits provided under the EPF Act.

The Employees’ State Insurance Act, 1948

The Employees’ State Insurance Act, 1948 (the “**ESI Act**”) was enacted with the object to setup the employees’ state insurance fund, funds of which shall be used to provide benefits to employees in case of sickness, maternity and employment injury. Both the employer and the employees are required to make contributions to the employees’ state insurance fund, in the manner provided under the ESI Act. The ESI Act applies to all factories including governmental factories (other than seasonal factories), which employ 10 or more employees and carry on a manufacturing process.

Payment of Wages Act, 1936

The Payment of Wages Act, 1936 (the “**Payment of Wages Act**”), aims at regulating the payment of wages to certain classes of employed persons. The Payment of Wages Act primarily seeks to regulate the date of payment of wages and the permissible deductions from wages. It also mentions certain authorised fines and deductions that the employer may legitimately deduct from the wages paid or payable to an employee. The employer cannot make any deductions from the wages of an employee which are not permissible under the Payment of Wages Act, unless such deductions are made pursuant to a settlement between the employer and the employee.

Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 (the “**Payment of Bonus Act**”), applies to factories, as defined under the Factories Act, and establishments wherein 20 or more persons are employed on any day during an accounting year. The object of the Payment of Bonus Act is to provide for the payment of bonus to persons employed in such factories and establishments. It imposes a statutory liability upon an employer of every factory and establishment, to pay bonus to its employees, and prescribes the formula by which such amount may be calculated.

Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 (the “**Payment of Gratuity Act**”), provides for a scheme for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, and shops and other establishments wherein 10 or more persons are employed, or were employed in the preceding 12 months. The Payment of Gratuity Act enforces the payment of gratuity, being a reward for long service, as a statutory benefit on the termination of employment of any employee who has rendered continuous service for not less than 5 years. The central or state government may exempt any employer from the application of the provisions of the Payment of Gratuity Act, if the gratuity or pensionary benefits paid or payable by such employer are more favourable than the benefits provided under the Payment of Gratuity Act.

The Equal Remuneration Act, 1976

The Equal Remuneration Act, 1976 (the “**Equal Remuneration Act**”), provides for payment of equal remuneration to men and women workers for the same work, and prevents discrimination on the grounds of sex, against women in the matter of employment. The Equal Remuneration Act gives statutory recognition and enforceability to the directive principle contained in Article 39(d) of the Constitution of India, which envisages that State shall direct its policy towards ensuring that there is equal pay for equal work for both men and women.

The Minimum Wages Act, 1948

The Minimum Wages Act, 1948 (the “**Minimum Wages Act**”), has been enacted to secure the welfare of the workers in a competitive market by providing for a minimum limit of wages in certain employments. The central or state government(s) are authorised to fix minimum wages for employments mentioned in the schedule of the Minimum Wages Act. An employer is under an obligation to pay the minimum wages as fixed by the appropriate authorities and under no circumstance can an employer be exempted from its obligation to pay minimum wages as fixed under the Minimum Wages Act.

The Employee’s Compensation Act, 1923

The Employee’s Compensation Act, 1923 (the “**Employee’s Compensation Act**”), was framed with a view to provide compensation to workmen (or their dependants as the case may be), including those employed by a contractor, due to such workmen, for disablement, either partially or fully, or death, caused by an injury from an accident arising out of and in the course of employment. However, no compensation shall be payable if the injury does not result in the disablement of the workman for a period of more than 3 days or if such workman was, at the time of such injury, under the influence of drugs or alcohol, or if such workman willfully disobeyed and disregarded the safety rules prescribed by the employer.

The Maternity Benefit Act, 1951

The Maternity Benefit Act, 1951 (the “**Maternity Benefit Act**”), was enacted to regulate the employment of women in certain establishments for certain periods before and after child birth and to provide for maternity benefit and certain other benefits. The Maternity Benefit Act is applicable to every factory, mine or plantation, and to every shop and establishment wherein 10 or more workers are employed. Any woman who has worked for at least 80 days in the 12 months immediately preceding her expected date of delivery is entitled to receive maternity benefits under the Maternity Benefit Act. The maximum period for which a woman shall be entitled to maternity benefit is 12

weeks, of which not more than 6 weeks shall precede the date of her expected delivery. For this period of absence, a woman must be paid maternity benefit at the rate of the average daily wage.

ENVIRONMENTAL LEGISLATIONS

The Water (Prevention and Control of Pollution) Act, 1974

The Water (Prevention and Control of Pollution) Act, 1974 (the “**Water Act**”), was enacted to prevent and control water pollution and maintain or restore the wholesomeness of water. The Water Act also created the respective State Pollution Control Boards (“**State PCBs**”), who are vested with the authority to establish and enforce effluent standards for factories discharging pollutants into bodies of water located in the territorial jurisdictions of such states. The State PCBs control sewage and industrial effluent discharges by approving, rejecting or conditioning applications for consent to discharge. In case of any default under the Water Act, the State PCBs have the power to close a defaulting industrial plant or withdraw its supply of water or power by issuing an administrative order.

The Air (Prevention and Control of Pollution) Act, 1981

The Air (Prevention and Control of Pollution) Act, 1981 (the “**Air Act**”), was enacted to prevent and control air pollution. Under the Air Act, all industries desirous of operating within the designated air pollution control areas must obtain a consent from the State PCBs prior to commencing any activity. The State PCBs are required to grant, or refuse, consent within four months of receipt of an application. The consent may contain conditions relating to specifications of pollution control equipment to be installed. Under the Air Act the State PCBs are authorised to close down a defaulting industrial plant or stop the supply of electricity or water.

The Water (Prevention and Control of Pollution) Cess Act, 1977

The Water (Prevention and Control of Pollution) Cess Act, 1977 (the “**Water Cess Act**”), provides for the levy and collection of a cess on water consumed by persons carrying on certain industries with a view to augment the resources of the central and State PCBs. The Water Cess Act requires a person carrying on any industry which involves the use of water to pay a cess in this regard. For the purpose of measuring and recording the quantity of water consumed, a meter, of such standards as may be prescribed, shall be affixed at such locations as may be prescribed. The Water Cess Act gives a polluter a 25% rebate of the applicable cess upon installing effluent treatment equipment and meeting the applicable norms.

The Environment Protection Act, 1986

The Environment Protection Act, 1986 (“**EP Act**”), aims to provide for the protection and improvement of the environment. It is an umbrella legislation designed to provide a framework for coordination of activities of various central and state authorities established under other statutes such as the Water Act and the Air Act. The EP Act articulates the essential legislative policy on environmental protection and delegates wide power to the GoI to frame the necessary rules and regulations within the confines of the central policy framework. Under EP Act, the central government is authorised to set national standards for the quality of the environment as well as standards for controlling emissions and effluent discharges; to regulate industry locations; to prescribe procedures for managing hazardous substances; and to establish safeguards for preventing accidents.

INTELLECTUAL PROPERTY LEGISLATIONS

The Trade Marks Act, 1999

The Trade Marks Act, 1999 (the “**Trademarks Act**”), was enacted to provide for better protection of trademarks for goods and services and for the prevention of the use of fraudulent marks. The Trademarks Act provides statutory protection to the trademarks registered in India. In India, trademarks enjoy protection under both statutory and common law. The registrar of trademarks, as appointed under the Trademarks Act, is the authority responsible for registration of the trademarks, settling opposition proceedings and rectification of the register of trademarks.

An application for registration of trademarks is made to the registrar of trademarks in the class as per the classification of goods and services mentioned in the Trade Marks Rules, 2002. Such application for registration can be made either on the basis of current use or intention to use the trademark in the future. Once a trademark is registered, such registration is valid for a period of 10 (ten) years, unless cancelled earlier. The Trademarks Act confers upon the proprietor of the trademark an exclusive right to use of the trademark in relation to the goods or services in respect of which the trademark is obtained. If the trademark registration is not renewed after the expiry of the initial registration period, the registration for such mark lapses and has to be obtained afresh.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief History of our Company

Our Company was originally incorporated as Hybo Knit Private Limited on September 29, 1987. The name of our Company was subsequently changed to Lovable Lingerie Private Limited by a special resolution passed at the EGM of our Company held on November 30, 1995. The fresh certificate of incorporation consequent on change of name was granted by the RoC to our Company on December 20, 1995. Our Company was converted into a public limited company pursuant to the special resolution passed by the members of our Company on February 8, 2010 and fresh certificate of name change consequent upon conversion of our Company from a private limited company to a public limited company issued by the RoC on April 19, 2010 with the name Lovable Lingerie Limited. Further, upon ceasing to be a private limited company, the word private was deleted through a special resolution at the EGM of our Company held on February 8, 2010. Our Company has filed an application with the RoC dated August 21, 2010 for rectification of our Company's name from "*Lovable Lingerie Limited*" to "*Lovable Lingerie Limited*". The RoC has duly rectified the name of the Company from "*Lovable Lingerie Limited*" to "*Lovable Lingerie Limited*". The corporate identification number of our Company is U17110MH1987PLC044835.

On December 26, 1995, our Company was licensed the brand "*Lovable*" from Lovable World Trading Company, USA. Subsequently, by an agreement dated December 23, 2000, our Company acquired the brand "*Lovable*" from Lovable World Trading Company, USA on an exclusive basis for the territories of India, Nepal, Sikkim and Bhutan. The innerwear products manufactured under the brand "*Lovable*" cater to the premium segment market in India.

"*Lovable*" and "*Daisy Dee*" are our flagship brands. As part of our growth strategy, we have diversified our portfolio of brands and acquired brands like "*Daisy Dee*" from Maxwell Industries Limited through a memorandum of understanding dated March 18, 2004 to cater the mid segment market in India and also acquired the brand "*College Style*" from Levitus Trading Limited, Hong Kong through a deed of assignment dated March 17, 2009 to cater to the young segment of India.

From the date of commencement of commercial operations of our Company, the production capacity of our Company has increased from an initial installed capacity of 70,000 pieces per annum to manufacture brassieres and panties to 67.50 lac pieces per annum to manufacture brassieres and panties, as on January 31, 2011, which has grown approximately 96 times in a span of fifteen (15) years.

Our Shareholders

As on the date of the Red Herring Prospectus, our Company has eight shareholders. For further details regarding the shareholders of our Company, please see the chapter titled "*Capital Structure*" on page 55 of the Red Herring Prospectus.

Revaluation of Assets

Our Company has not revalued its assets as on the date of the Red Herring Prospectus.

Injunction or Restraining Order

As of the date of the Red Herring Prospectus, no injunction or restraining order has been issued against our Company.

Changes in our Registered Office

Date of resolution	Details of change	Reasons for change
October 30, 2009	The registered office of our Company was changed from C-6, Road No. 22, MIDC, Andheri (East), Mumbai – 400 093, Maharashtra,	The change in the registered office was made for administrative convenience.

Date of resolution	Details of change	Reasons for change
	India to A – 46, Street No. 2, MIDC, Andheri (East), Mumbai – 400 093, Maharashtra, India	

Main Object of our Company

The main object as contained in the Memorandum of Association is:

- To carry on the business of manufactures, processors, knitters, spinners, doublers, weavers, ginnerers, balers, sellers, buyers, importers, exporters, distributors, and, or otherwise dealers textiles, garments, house-hold made ups, industrial fabrics, synthetic yarn, synthetic fabrics, cotton, wool, silk, art silk, rayon, flex, hemp, twine of all kinds of whatsoever description like nylon, polyester, Acrelyric, viscose, poly propylene, terelene, linen, canvas, and all other kind of materials of fashions, whether natural or man made, designing including product, ready made garments, handicrafts, hosiery, all kinds for decorating fabrics, dress makers, outfitters and all kinds or articles including designing all clothes, and worsted materials and of all articles similar to the foregoing or any of them or connected therewith, and to act as manufacturers, importers, and exporters, wholesale and retail dealers of and in men's, women's, and children's fashion fabrics, clothing and wearing apparel of every kind, nature and description including casual wears, vests, underwears, suits, pants, workmen's clothes, uniforms for the Army, Navy, Air Force, and other personal, foundation garments for ladies dresses, brassiers, maternity belts, knee caps, coats, panties, nighties and other personal, foundation garments for ladies dresses, brassiers, maternity belts, knee caps, coats, panties, nighties and other value added branded products in different sectors for the purpose of developing, launching, acquiring, production, distribution, marketing, maintaining, export, sale and dealing in brands of various products and carry out all other activities relating to business of branded goods and services in any sector.*

Amendments to the MoA

Date of shareholders' approval	Amendment
November 30, 1995	The name of our Company was changed from Hybo Knit Private Limited to Lovable Lingerie Private Limited
March 29, 1996	The authorised share capital of our Company was increased from ₹ 1 lac divided into 1,000 Equity Shares of ₹ 100 each to ₹ 50 lac by creation of 49,000 equity shares of ₹ 100 each.
March 27, 1997	The authorised share capital of our Company was further increased from ₹ 50,00,000 divided into 50,000 Equity Shares of ₹ 100 each to ₹ 1,00,00,000 divided into 50,000 Equity Shares of ₹ 100 each and 50,000 11% redeemable Preference Shares of ₹ 100 each.
March 4, 2008	Reclassification of the authorised share capital of our Company from ₹ 1,00,00,000 divided into 50,000 Equity Shares of ₹ 100 each and 50,000 Preference Shares of ₹ 100 to ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100 each pursuant to the redemption of Preference Shares.
March 4, 2008	The authorised share capital of our Company was further increased from ₹ 1,00,00,000 divided into 1,00,000 Equity Shares of ₹ 100 each to ₹ 1,50,00,000 divided into 1,50,000 Equity Shares of ₹ 100 each.
June 23, 2008	(a) The main object clause of our Company was replaced by the following new object clause: <ol style="list-style-type: none"> <i>To carry on the business of manufactures, processors, knitters, spinners, doublers, weavers, ginnerers, balers, sellers, buyers, importers, exporters, distributors, and, or otherwise dealers textiles, garments, house-hold made ups, industrial fabrics, synthetic yarn, synthetic fabrics, cotton, wool, silk, art silk, rayon, flex, hemp, twine of all kinds of whatsoever description like nylon, polyester, Acrelyric, viscose, poly propylene, terelene, linen, canvas, and all</i>

Date of shareholders' approval	Amendment
	<p><i>other kind of materials of fashions, whether natural or man made, designing including product, ready made garments, handicrafts, hosiery, all kinds for decorating fabrics, dress makers, outfitters and all kinds or articles including designing all clothes, and worsted materials and of all articles similar to the foregoing or any of them or connected therewith, and to act as manufacturers, importers, and exporters, wholesale and retail dealers of and in men's, women's, and children's fashion fabrics, clothing and wearing apparel of every kind, nature and description including casual wears, vests, underwears, suits, pants, workmen's colthes, uniforms for the Army, Navy, Air Force, and other personal, foundation garments for ladies dresses, brassiers, maternity belts, knee caps, coats, panties, nighties and other personal, foundation garments for ladies dresses, brassiers, maternity belts, knee caps, coats, panties, nighties and other value added branded products in different sectors for the purpose of developing, launching, acquiring, production, distribution, marketing, maintaining, export, sale and dealing in brands of various products and carry out all other activities relating to business of branded goods and services in any sector.</i></p> <p>(b) The following new clause 61 was inserted after clause 60 in the other objects of the MoA of our Company:</p> <p>61. <i>To carry on the business of manufactures, processors, knitters, spinners, doublers, weavers, ginners, balers, sellers, buyers, importers, exporters, distributors, and, or otherwise dealers textiles, garments, house-hold made ups, industrial fabrics, synthetic yarn, synthetic fabrics, cotton, wool, silk, art silk, rayon, flex, hemp, twine of all kinds of whatsoever description like nylon, polyester, Acrelyric, viscose, poly propylene, terelene, linen, canvas, and all other kind of materials of fashions, whether natural or man made, designing including product, ready made garments, handicrafts, hosiery, all kinds for decorating fabrics, dress makers, outfitters and all kinds or articles including designing all clothes, and worsted materials and of all articles similar to the foregoing or any of them or connected therewith, and to act as manufacturers, importers, and exporters, wholesale and retail dealers of and in men's, women's, and children's fashion fabrics, clothing and wearing apparel of every kind, nature and description including casual wears, vests, underwears, suits, pants, workmen's colthes, uniforms for the Army, Navy, Air Force, and other personal, foundation garments for ladies dresses, brassiers, maternity belts, knee caps, coats, panties, nighties and other personal, foundation garments for ladies dresses, brassiers, maternity belts, knee caps, coats, panties, nighties and so on.</i></p>
September 30, 2009	The authorised share capital of our Company was further increased from ₹ 1,50,00,000 divided into 1,50,000 Equity Shares of ₹ 100 each to ₹ 11,00,00,000 divided into 11,00,000 Equity Shares of ₹ 100 each.
February 8, 2010	The authorised share capital of our Company was sub-divided from ₹ 11,00,00,000 divided into 11,00,000 Equity Shares of ₹ 100 each to ₹ 11,00,00,000 divided into 1,10,00,000 Equity Shares of ₹ 10 each pursuant to the provisions of Section 94(d) of the Companies Act.
September 20, 2010	The authorised share capital was further increased from ₹ 11,00,00,000 divided into 1,10,00,000 Equity Shares of ₹ 10 each to ₹ 18,00,00,000 divided into 1,80,00,000 Equity Shares of ₹ 10 each.

Major Events

The table below sets forth some of the major events and key milestones in the history of our Company:

Year	Milestones
1987	<ul style="list-style-type: none"> Incorporated as Hybo Knit Private Limited
1995	<ul style="list-style-type: none"> Entered into a license agreement with Lovable World Trading Co, Inc. (United States of America) dated December 26, 1995 whereby our Company was given a non-transferable, non-assignable exclusive license to use the trademarks ‘Lovable’ and ‘Celebrity’ within the territories of India, Nepal, Sikkim and Bhutan, for manufacture and/or distribution and/or sale of all women’s garments including undergarments. The name of our Company was changed from Hybo Knit Private Limited to Lovable Lingerie Private Limited. Commenced commercial operations by setting up a manufacturing unit in Bengaluru with an installed capacity of 70,000 pieces per annum.
2000	<ul style="list-style-type: none"> Our Company entered into an agreement with Lovable World Trading Co, Inc. (United States of America) on December 23, 2000, to acquire the ownership of the brands ‘Lovable’ and ‘Celebrity’.
2002	<ul style="list-style-type: none"> Our Company entered into a memorandum of understanding with Vanity Fair, Inc to acquire the license for the brand ‘Vanity Fair’ with effect from July 2002.
2004	<ul style="list-style-type: none"> Our Company entered into a memorandum of understanding dated March 18, 2004 with Maxwell Industries Limited to acquire the brand ‘Daisy Dee’ with effect from April 01, 2004.
2005	<ul style="list-style-type: none"> Our total installed capacity increased from 26 lac pieces in 2004 to 50 lac pieces in 2005.
2006	<ul style="list-style-type: none"> Our Management approved the scheme of amalgamation with Maxwell Industries Limited Our total installed capacity increased from 50 lac pieces per annum in 2005 to 60 lac pieces per annum in 2006.
2007	<ul style="list-style-type: none"> Our Management withdrew the scheme of amalgamation with Maxwell Industries Limited Our Company discontinued manufacture of products under the ‘Vanity Fair’ brand.
2009	<ul style="list-style-type: none"> Our Company entered into deed of assignment dated March 17, 2009 with Levitus Trading Limited (Hong Kong) to acquire the trademark ‘College Style’.
2010	<ul style="list-style-type: none"> Our Conversion of the Company from a private limited company to a public limited company. Our Company established another manufacturing unit in Roorkee, Uttarakhand, which began commercial operations in February 2010. Our Company entered into a joint venture agreement dated July 15, 2010 with Lifestyle Galleries of London Limited (UK). Our total installed capacity increased from 60 lac pieces per annum to 67.50 lac pieces per annum.
2011	<ul style="list-style-type: none"> Investment agreement dated February 09, 2011 executed with SCI Growth Investments II in respect of a Pre-IPO Placement of 10,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 190 per Equity Share.

Other than as disclosed in chapter titled “**Capital Structure**” on page 55 of the Red Herring Prospectus, our Company has not issued any capital in the form of equity or debt.

For details on the description of our Company’s activities, products, the growth of our Company and exports, please refer to chapters titled “**Our Business**”, “**Management’s Discussion and Analysis of Financial Conditions and Results of Operations**” and “**Basis of Issue Price**” on pages 102, 208 and 78 respectively of the Red Herring Prospectus.

Subsidiaries and Holding Company

Our Company has no subsidiaries and holding company as on the date of the Red Herring Prospectus.

Changes in the activities of our Company during the last five years

There have been no changes in the activities of our Company during the last five years as on the date of the Red Herring Prospectus.

Our competitors

For details on our competitors, please refer to the chapter titled “*Our Business*” on page 102 of the Red Herring Prospectus.

Defaults or rescheduling of borrowings with financial institutions or banks

There have been no defaults or rescheduling of borrowings with financial institutions or banks as on the date of the Red Herring Prospectus.

Lock-out or strikes

There have been no lock-outs or strikes in our Company since the date of its incorporation.

Technology and managerial competence

For details on our manufacturing technology and managerial competence, please refer to the chapter titled “*Our Business*” on page 102 of the Red Herring Prospectus.

Business acquisitions

Other than as disclosed under “*Major Events*” in this chapter and the chapter titled “*Our Business*” on page 102 of the Red Herring Prospectus, our Company has not acquired any business or undertakings.

Time or cost overrun in setting up projects

There have been no time and cost overruns with respect to any projects undertaken by our Company.

Capital raising through equity and debt

For details in relation to our capital raising activities through equity and debt, see the chapters titled “*Financial Indebtedness*” and “*Capital Structure*” on page 223 and 55 respectively of the Red Herring Prospectus.

Shareholders

Our Company has eight shareholders as of the date of the Red Herring Prospectus.

Shareholders’ agreement

Except for the investment agreement amongst our Company, Mr. L. Vinay Reddy, Ms. L. Shobha Reddy, Mr. L. Prashant Reddy, Ms. Veena Reddy, Ms. Taruna Reddy, Vinay Reddy HUF, Jaipal Reddy HUF and SCI Growth Investments II, our Company does not have any subsisting shareholders’ agreement:

Other agreements

1. Agreement between our Company and Lovable World Trading Company to acquire ownership of the brands ‘Lovable’ and ‘Celebrity’

Our Company entered into an agreement dated December 23, 2000 (the “**Agreement**”), with Lovable World Trading Company, a corporation organised under the laws of the State of New York, USA (the “**Assignor**”), whereby the Assignor assigned to our Company the trademarks ‘Lovable’ and ‘Celebrity’ (collectively referred

to as the “**Assigned Trademarks**”) together with the goodwill of the business in which the said Assigned Trademarks were being used along with the rights, title and interests attached thereto for a total consideration of USD 4,00,000. Our Company is also liable to pay in perpetuity a technical fee of ½ % on net sales of men’s products sold under the ‘*Lovable*’ brand. The Assignor has agreed to continue to provide technological services and assistance to our Company.

The assignment of the Assigned Trademarks is limited to the geographic areas of India, Nepal, Sikkim and Bhutan. Under the Agreement, our Company has also granted an exclusive, irrevocable and assignable license in perpetuity to the Assignor to use the trademark ‘*Lovable*’ for products for infants and children up to and including the age of 12 years, without any license or royalty fee being payable to our Company.

The Agreement also contains other standard provisions relating to the representations and warranties made by the parties and other pre-conditions which need to be fulfilled by the parties before the assignment of the Assigned Trademarks can be effected.

2. *Memorandum of Understanding between our Company and Maxwell Industries Limited*

Our Company entered into a memorandum of understanding (“**MoU**”) dated March 18, 2004, with Maxwell Industries Limited, a company registered under the Companies Act, 1956 (“**MIL**”), wherein we acquired the ‘*Daisy Dee*’ brand from MIL. The Daisy Dee brand was acquired by our Company for a total consideration of ₹ 50,000/- (Rupees Fifty Thousand only).

Pursuant to the MoU, MIL agreed to stop the manufacture and sale of any goods under the ‘*Daisy Dee*’ brand with effect from April 01, 2004, the same date from which we were authorised to commence manufacture and sale of goods under the same brand. MIL also undertook an obligation to realise its debtors and pay off the creditors relating to the Daisy Dee brand up to the date of this MoU.

3. *Deed of Assignment between our Company and Hybo Hindustan*

Our Company entered into a deed of assignment dated June 05, 2006 (the “**Deed**”), with Hybo Hindustan, a partnership firm registered under the Indian Partnership Act, 1932 (the “**Assignor**”), wherein the Assignor agreed to unconditionally, irrevocably and absolutely assign, convey and transfer to our Company all the property, rights, titles and interests in various registered and unregistered trademarks (the “**Trademarks**”), along with the associated goodwill in such Trademarks for a total consideration of ₹ 2,00,000/- (Rupees Two Lacs only).

The registered trademarks assigned to our Company under the Deed are as follows:

S.No.	Trademark Assigned	Class
1.	Barbara Carter 90	25
2.	Daisy Dee	25
3.	Daisy Dee Super Shapers	25
4.	Lovable Temptations	25
5.	Sweet Teens	25
6.	Daisy Dee Active	25
7.	Special Moods	25
8.	16 Hour Day	25
9.	Vanity Gear	25
10.	Tweenz	25
11.	Tweens	25
12.	Essentials	25

S.No.	Trademark Assigned	Class
13.	Cotton Essentials	25
14.	Lilian De Paris	25

The trademarks pending registration assigned to our Company under the Deed are as follows:

S.No.	Trademarks Assigned	Class
1.	Extra	5
2.	Flextra	25
3.	Lilian De Paris	25
4.	Tees	25
5.	9 Teen	25
6.	Expandex	24
7.	Expandex	25
8.	Bra-World	25
9.	Lovable Secrets	25
10.	All Day Long	25
11.	Super Shapers	25
12.	Daisy Dee	11
13.	Crossfit	25

Pursuant to the Deed, our Company is the absolute and exclusive owner of the Trademarks for all territories of the world. The assignment of the Trademarks under the Deed also includes assignment, transfer and conveyance in all the intellectual property rights, including copyright, design and patents in:

- i. the trade-dress, the labels and variations of the Trademarks, logos/legends in the Trademarks; and
- ii. the boxes and other packaging materials that are being used with the Trademarks.

The Assignor has agreed to indemnify, save, defend and keep and hold our Company harmless against any loss, damage, cost, expenses, claims or proceedings in relation to or arising out of any defect in title/ownership of the Assignor in the aforementioned Trademarks, or due to any act or omission of the Assignor by which our lawful title to the aforementioned Trademarks is jeopardised, or due to breach of any of the representations and warranties of the Assignor.

4. Deed of Assignment of Trademark between our Company and Levitus Trading Limited

Our Company entered into a deed of assignment dated March 17, 2009 (the “**Deed**”) at Macau, with Levitus Trading Limited, a company registered in Hong Kong (the “**Assignor**”), wherein the trademark ‘College Styles’ (the “**Trademark**”) was assigned to our Company unconditionally, irrevocably, immediately and absolutely by the Assignor, along with the property, rights, titles and interests in the said trademark for a consideration of USD 1.90 million.

Pursuant to the Deed, our Company is the absolute and exclusive owner of the Trademark for all territories of the world. The assignment of the Trademark under the Deed also includes assignment, transfer and conveyance in all the intellectual property rights, including copyright, design and patents in:

- i. the trade-dress, the labels and variations of the Trademark, logos/legends in the Trademark; and
- ii. the boxes and other packaging material that are being used with the Trademark.

The Assignor has agreed to indemnify, save, defend and keep and hold our Company harmless against any loss, damage, cost, expenses, claims or proceedings in relation to or arising out of any defect in title/ownership of the Assignor in the said Trademark, or due to any act or omission of the Assignor by which our lawful title to the said Trademark is jeopardised, or due to breach of any of the representations and warranties of the Assignor.

The Deed also contains an arbitration clause wherein any dispute, difference or claim between the Parties relating to or arising out of the rights and obligations under this Deed, or the interpretation and effect of any terms and conditions of this Deed, shall be resolved by arbitration by appointing one or more arbitrators agreed upon by the parties. The seat of arbitration shall be in London and the arbitration proceedings shall be governed by the International Arbitration Act, 1974.

5. *Non-compete agreement amongst our Company, Reddy and Pathare Elastics Private Limited, Bellini Fashions Private Limited, La Reine Fashions Private Limited, Federal Brands Limited, Vinay Hosiery Private Limited and Strategy Games Private Limited*

Our Company has entered into a non-compete agreement dated November 02, 2010 (the “**Agreement**”), with Reddy and Pathare Elastics Private Limited, Bellini Fashions Private Limited, La Reine Fashions Private Limited, Federal Brands Limited, Vinay Hosiery Private Limited and Strategy Games Private Limited (hereinafter collectively referred to as the “**Group Companies**” and individually referred to as the “**Group Company**”), wherein the Group Companies have agreed to not to carry on any business or any activity which:

- directly or indirectly competes with the business, relating to production, distribution and supply of lingerie products within or outside India, of our Company; or
- licenses the right to produce, distribute or supply any international or domestic brand of lingerie products in domestic or foreign markets; or
- utilizes the words “*Lovable*”, “*Daisy Dee*” and/or “*College Style*” or any other similar word or words in any trademark, service mark, brand name or trade name for the purposes of carrying on any competing business; or
- solicit any customer, distributor, supplier, dealer or agent of our Company for carrying on any competing business; or
- solicits any employee of our Company who are employed in a managerial, supervisory, technical, sales or administrative capacity; or
- any act, thing, matter or deed which may impair, harm and/or adversely affect or otherwise injure the goodwill of our Company or the trademarks used by our Company in the course of its business.

The term of the agreement is three (03) years and our Company has paid non-compete consideration to every Group Company. The non-compete obligations under the Agreement shall not apply to production, distribution, supply and/or retail of men’s innerwear products and outerwear apparel products.

6. *Investment agreement amongst our Company, Mr. L. Vinay Reddy (the “Promoter”) and Ms. L. Shobha Reddy, Mr. L. Prashant Reddy, Ms. Veena Reddy, Ms. Taruna Reddy, Vinay Reddy HUF, Jaipal Reddy HUF (collectively the “present shareholders”) and SCI Growth Investments II.*

Our Company entered into an investment agreement dated February 9, 2011 (the “**Investment Agreement**”) with Mr. L. Vinay Reddy, Ms. L. Shobha Reddy, Mr. L. Prashant Reddy, Ms. Veena Reddy, Ms. Taruna

Reddy, Vinay Reddy HUF, Jaipal Reddy HUF and SCI Growth Investments II (“SCI”), in relation to the Pre-IPO Placement with SCI of 10,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 190 per Equity Share (the “Investor Price”). The Equity Shares subscribed to by SCI shall be subject to a lock-in period of one year from the date of Allotment of Equity Shares in the Issue, as prescribed under the SEBI (ICDR) Regulations.

The conditions set out under the Investment Agreement have already been satisfied and the Equity Shares have already been issued to SCI.

The Investment Agreement grants certain rights to SCI, including the right to subscribe additional Equity Shares in the event the Issue is not completed within 12 months from the date of closing of the Pre-IPO Placement, the right to get bonus shares, if our Company issues any shares, except through this Issue, at a price lower than the Investor Price. SCI also has the right to nominate one (01) director on the Board of our Company only if (a) the Equity Shares are admitted to listing on the Stock Exchanges; (b) SCI has invested an aggregate amount of not less than ₹ 3,000 lacs; and (c) SCI continues to hold at least 5% of the fully diluted share capital of our Company.

Further, the Investment Agreement imposes certain restrictions on the transfer of shares, including giving prior notice of such transfer to SCI, the right of first offer and the obligation on the transferee to execute a deed of adherence. The Investment Agreement also restricts the present shareholders of the Company from engaging in any activity that could be in direct or indirect competition to the business of our Company. However, such restrictions shall cease to have effect on the occurrence of this Issue and listing of the Equity Shares on the Stock Exchanges.

Furthermore, under the Investment Agreement, prior approval of SCI is required in respect of certain reserved matters, including any changes to the share capital of our Company, any mergers, demergers, reorganisation, restructuring, change in control, any change in the constitution of the Board, any change in the accounting method or policies, in change in the MoA or AoA of our Company, any declaration of dividends or distribution of profits, sale of any business undertaking or intellectual property of our Company etc. However, such restrictions shall cease to have effect on the occurrence of this Issue and listing of the Equity Shares on the Stock Exchanges.

Our Company has agreed to indemnify SCI, its affiliates, directors, officers, employees, representatives and agents (collectively the “Indemnified Persons”) from and against any and all losses, whether suffered or incurred by any of the Indemnified Persons, which arise out of or result from any material misrepresentation or breach, by our Company or its present shareholders, of any obligation, representation, warranty, covenant, undertaking or any gross negligence, wilful misconduct or fraudulent or illegal acts on the part of our Company or its present shareholders.

Under the Investment Agreement, the occurrence of any of the following events shall be considered as an “Event of Default”:

- Breach or failure to observe or comply with any term, representation, warranty, covenant, undertaking or obligation under the Investment Agreement; or
- The initiation of any liquidation or similar proceeding in respect of our Company, whether voluntary or otherwise; or
- Our Company or any of its present shareholders being convicted for fraud or being in violation of or non-compliance with any applicable laws.

In the event of occurrence of an Event of Default, and if such default is not cured within a period of 30 days from the date of notice given by SCI to cure such default, SCI may, at its sole discretion and option, exercise any or all of the following remedies:

- Freely transfer upto all of the shares acquired under the Pre-IPO Placement to any person, and assign all or any of such shares along with its rights under the Investment Agreement, without the prior consent of any person; and/or
- Effect a third party sale in accordance with the provisions of the Investment Agreement; and/or
- Exercise the buy-back option in accordance with the provisions of the Investment Agreement; and/or
- Make a claim for indemnity in accordance with the provisions of the Investment Agreement.

7. *Memorandum of understanding dated February 10, 2011 between Mr. Amruth Raj and our Company*

Our Company entered into a memorandum of understanding dated February 10, 2011 (the “**Memorandum**”) with Mr. Amruth Raj, whereby our Company has agreed to purchase a land situated at Sy. No. 10/8B to the extent of 21,520 Sq ft at Thalaghattapura village, Uttarahalli Hobli, Bangalore South Taluk (the “**Land**”) for a consideration of ₹ 200 lacs. Our Company has already paid ₹ 1 lac as token money for the purchase of the Land. Pursuant to the Memorandum, our Company has to purchase the Land within a period of 2 months from the date of the Memorandum.

Joint Venture

Joint venture agreement between our Company and Lifestyle Galleries of London Limited

Our Company entered into a joint venture agreement dated July 15, 2010 (“**JVA**”), with Lifestyle Galleries of London Ltd., a company incorporated in the UK (“**LGL**”), to establish a joint venture company in India by the name of ‘Lovable Lifestyles Private Limited’ (“**Lovable Lifestyles**”), for the purpose of carrying on marketing, manufacturing, distribution and direct retail in the super premium segment in India and other contracted territories to be decided between the parties, of the product lines of LGL in the categories of personality grooming/style, lifestyle enhancement and beauty, including but not limited to, women’s intimate apparels as well as men’s undergarments under the ‘**London Calling**’ brand in India.

Under the JVA, we have agreed to acquire a 90% stake in the issued share capital of Lovable Lifestyles for a total cash consideration of ₹ 2500 lacs, while LGL shall acquire the remaining 10% of the issued share capital of the Lovable Lifestyles.

LGL has agreed to license its know-how and trademark to Lovable Lifestyles and assign in perpetuity the ‘**London Calling**’ brand to Lovable Lifestyles. LGL has also agreed to provide brand assets inputs including franchisees definition, character, tone and positioning input for the “**London Calling**” brand, imagery instruction, product styling and range structure direction, packaging and merchandising guidelines, direct retail store architectural design structure, technical developments support in manufacturing assistance and training to Lovable Lifestyles, as and when necessary.

Our Company has agreed to assist Lovable Lifestyle’s management in obtaining the necessary business licenses, relevant authorisations and permits, as required under the Indian laws, and all possible tax exemptions, reductions and other incentives available under the Indian Laws, in order to allow Lovable Lifestyles to carry on its business. Our Company has also agreed to allow Lovable Lifestyles to use our Company’s sales team resources and distribution networks to for carrying on its business.

The key terms of the JVA are summarised hereunder:

Up-size Option: LGL has been given the option to increase its equity shareholding in Lovable Lifestyles to 26% within 36 months from the date of this JVA.

Board and Management: The Board of Directors of Lovable Lifestyles shall comprise of 3 directors out of which 2 shall be appointed by our Company and 1 shall be appointed by LGL. Our Company has also reserved the right to appoint the Chairman of Lovable Lifestyles and the Chairman shall have a casting vote.

Royalty Structure: Both the Parties have agreed that during the currency of the joint venture no royalty shall be payable to LGL for use of the ‘*London Calling*’ brand. Post the withdrawal of LGL from Lovable Lifestyles, Lovable Lifestyles shall pay to LGL a royalty amounting to 5% of Net Sales. ‘**Net Sales**’ is defined as the gross sale of licensed products after deducting discounts, returns and value added or sales tax if included in gross sales. The royalty is payable on a quarterly basis with the quarterly period reckoned as January – March, April – June, July – September and October – December of each calendar year. The payment of royalty shall be subject to the provisions of the Double Tax Avoidance Treaty between UK and India.

Advertisement and Sales Promotion: Lovable Lifestyle shall spend a minimum of 5% per annum of net sales of the licensed products on advertising and sales promotion. All advertisings shall prominently feature the ‘*London Calling*’ brand.

Transfer of Shares: It is expressly agreed by and between the parties that no party shall sell the shares owned by it in Lovable Lifestyles to any company which is a competitor of Lovable Lifestyles and/or our Company.

Right of First Refusal: In the event that either party proposes to transfer the shares held by it in Lovable Lifestyles (“**the Selling Shareholder**”), the Selling Shareholder shall, in the first instance, offer all such shares to the other shareholder (“**the Continuing Shareholder**”) by giving a notice in writing (“**Transfer Notice**”). Such Transfer Notice shall specify the sum fixed as fair value of the shares offered and the Continuing Shareholder shall have a period of 15 business days within which it may accept the whole but not part of the shares offered in the Transfer Notice.

In the event the Continuing Shareholder does not accept the shares as specified in the Transfer Notice within the required time period, the Selling Shareholder may, within 30 business days thereafter, sell the shares to any third party, not being a competitor of either Lovable Lifestyles or our Company, of its choice at a price not being less than the fair value specified in the Transfer Notice and on such terms and conditions not being more favourable than those offered to the Continuing Shareholder. Such third party shall be required to enter into an agreement with the Continuing Shareholder, expressly agreeing to be bound mutatis mutandis by the terms and conditions of the JVA and all other definitive agreements entered into between the Parties.

Tag-along and Drag-along Rights: Under the JVA, LGL has agreed to give our Company a right to ‘tag-along’ with any offer that LGL wishes to accept in respect of the disposal of LGL’s interest in Lovable Lifestyles. Also, our Company has agreed to give LGL a right to ‘drag-along’ the interest of our Company in Lovable Lifestyles with any offer that LGL wishes to accept in respect of the disposal of LGL’s interest in Lovable Lifestyles.

Call Options: Each party has granted to the other party a right (the “**Call Option**”), exercisable by either party (the “**Calling Party**”), at its sole and absolute discretion, to require the other party to purchase all (and not a part) of the Calling Party’s equity interest in Lovable Lifestyles at a specific price. The Call Option may be exercised only in the following events:

- i. The other Party commits a material breach or persistent breach of any of its obligations under the JVA and the definitive documents of Lovable Lifestyles, and fails to remedy such breach within 30 business days of the Calling Party requesting such remedy.
- ii. There is a compulsory winding up order made by a competent court in relation to the other Party pursuant to any ending up petition filed by any creditor.

Termination: The JVA will be terminated on the occurrence of any of the following events:

- i. Either party becomes insolvent.

- ii. Either party exercises the Call Option, as described above.
- iii. If both the parties are in agreement that there is material underperformance of Lovable Lifestyles for 2 consecutive years.

The JVA also contains certain standard clauses pertaining to force majeure events, dispute resolutions, matters requiring the approval of the board of directors, confidentiality, costs and other standard representations and warranties made by the parties to each other.

As on the date of the Red Herring Prospectus, no equity shares in Lovable Lifestyles have been allotted to either our Company or LGL.

Strategic Partners

Our Company does not have any strategic partner(s) as on the date of the Red Herring Prospectus.

Financial Partners

As on the date of the Red Herring Prospectus, apart from the various arrangements with bankers and lenders which our Company undertakes in the ordinary course of business, our Company does not have any other financial partners.

OUR MANAGEMENT

Board of Directors

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

Name, Father's Name, Designation, Term, Address, Occupation, PAN, DIN and Nationality	Age (in years)	Other Directorships
Mr. L. Vinay Reddy (S/o) Mr. L. Jaipal Reddy Chairman and Managing Director (<i>Executive, Non independent</i>) Term: Appointed as the Managing Director for a period of 5 years w.e.f February 1, 2010 Address: Excellency CHS Ltd., Plot No.75, Lokhandwala Complex, Andheri (W), Mumbai 400 053, Maharashtra, India Occupation: Business PAN: AATPR2109N DIN: 00202619 Nationality: Indian	42	Public Limited Companies (a) Federal Brands Limited Private Limited Companies (a) Bellini Fashions Private Limited (b) Blue Chips Fashions Private Limited (c) Holstein Ecofoods Private Limited (d) La Reine Fashions Private Limited (e) Reddy and Pathare Elastics Private Limited (f) Vinay Hosiery Private Limited (g) Hype Integracomm Private Limited
Mr. G. Ashok Reddy (S/o) Mr. Gunna Sudhakar Reddy Director (<i>Executive, Non independent</i>) Term: Appointed as the Wholetime Director for a period of 5 years w.e.f February 1, 2010 Address: Flat C 208, Wilson Manor Deluxe Apartment, 13 Cross, Arekempahally, Wilson Garden, Bengaluru 560 027, Karnataka, India Occupation: Business PAN: AAUPR1126L DIN: 01679165 Nationality: Indian	57	Public Limited Companies (a) Federal Brands Limited Private Limited Companies (a) Hype Integracomm Private Limited (b) Anka Enterprises Private Limited

Name, Father's Name, Designation, Term, Address, Occupation, PAN, DIN and Nationality	Age (in years)	Other Directorships
Mr. L. Jaipal Reddy (S/o) Mr. Latupalli Venkat Reddy Director (<i>Executive, Non independent</i>) Term: Appointed as the Wholetime Director for a period of 5 years w.e.f February 1, 2010 Address: 7, Savijay, 29th Road, Bandra (West), Mumbai 400 050, Maharashtra, India Occupation: Business PAN: AAAPL2131K DIN: 01539678 Nationality: Indian	71	Public Limited Companies (a) Federal Brands Limited Private Limited Companies (a) Bellini Fashions Private Limited (b) Strategy Games Private Limited (c) Holstein Ecofoods Private Limited (d) La Reine Fashions Private Limited (e) Reddy and Pathare Elastics Private Limited (f) Vinay Hosiery Private Limited (g) Hype Integracomm Private Limited
Mr. Gopal G. Sehjpai (S/o) Mr. Gangaram Sehjpai Appointed as Additional Director (<i>Non executive, Independent</i>) on September 20, 2010 Term: Liable to retire at the next AGM Address: 505, Riddhi Tower, Riddhi Gardens, Film City Road, Malad (East) Mumbai – 400 097, Maharashtra, India Occupation: Business PAN: AABPS5938A DIN: 00175975 Nationality: Indian	66	Public Limited Companies (a) Maxwell Industries Limited Private Limited Companies (a) Oracle Management Services Private Limited
Mr. Sivabalan P. Pandian (S/o) Mr. Paul S. Pandian Appointed as Additional Director (<i>Non executive, Independent</i>) on September 20, 2010 Term: Liable to retire at the next AGM Address: J293, Tarapore Garden, Link Road, Andheri (West), Mumbai – 400 053, Maharashtra, India Occupation: Business PAN: AADPP9211H	52	Public Limited Companies (a) Mudra Lifestyles Limited

Name, Father's Name, Designation, Term, Address, Occupation, PAN, DIN and Nationality	Age (in years)	Other Directorships
DIN: 01573458 Nationality: Indian		
Mr. Dhanpat M. Kothari (S/o) Mr. Mishrimal Rajmal Kothari	41	Nil
Appointed as Director (<i>Non executive, Independent</i>) on September 20, 2010.		
Term: Liable to retire by rotation		
Address: Shubh Laxmi, Flat No. 3, Wing B, Plot No. 12B, 8 th Nehru Road, T.P.S. III, Santa Cruz (East) Mumbai – 400 055, Maharashtra, India		
Occupation: Business		
PAN: AABPK8015E		
DIN: 03032242		
Nationality: Indian		

Brief Profile of the Directors

Mr. L. Vinay Reddy, aged 42, is the Chairman and Managing Director of our Company. He has a bachelor's degree in commerce from the University of Bombay. He has over 20 years of experience in the innerwear industry. He has been with our Company since its inception. He was instrumental in obtaining license of “Lovable” brand for our Company. He has vast experience in the areas of management, marketing strategies and overall administration control and supervision. The overall day to day affairs and management decisions of our Company are under the supervision of Mr. L. Vinay Reddy. He was previously a director in Maxwell Industries.

Mr. G. Ashok Reddy, aged 57, is the wholetime Director of our Company. He has a bachelor's degree in commerce from Osmania University; Hyderabad. He has 34 years of experience in the innerwear industry. He has previously worked as a production executive in Hybo Hindustan for one (01) year and with Maxwell Industries Limited for 17 years as head of operations for northern India. He joined our Company in 1995 and spearheaded the establishment of our facilities and our brands. He looks after the day to day management of our manufacturing and marketing operations located at Bengaluru. He has created a dedicated manufacturing and sales team to market the Company's innerwear products across the country.

Mr. L. Jaipal Reddy, aged 71, is the Executive Director of our Company. He has a diploma in electrical engineering from Osmania University, Hyderabad. He was the co-founder of Maxwell Industries Limited and was the Managing Director for 14 years. He is a pioneer of the branded innerwear industry in India and he has conceptualized and established leading brands such as VIP, Frenchie etc. He is a visionary and guides our Company and its management at all the stages of its development and strategic decisions.

Mr. Gopal G. Sehjpal, aged 66, is the independent Director of our Company. He has a bachelor's degree in arts (with commerce and economics) and a master's degree in arts (Philosophy) from the University of Delhi. He also has a diploma in personnel management from the University of Delhi. He worked at Kodak (India) for over 3 decades in the areas of sales, administration, branch management, human resources (as the head) and also as the head of a profit centre. He is currently working as a management consultant and trainer. He is also an independent director in Maxwell Industries Limited. He is a fellow member of the Institute of Management Consultants of India, life member with the Bombay Management Association and Indian Institute of Quality Management and is an individual member with Consultancy Development Centre (Ministry of Science and Technology, GoI).

Mr. Sivabalan P. Pandian, aged 52, is the independent Director of our Company. He has a bachelor's degree in science (Chemistry) from the University of Poona, a bachelor's and master's degree in science (Technology in Textile Chemistry) from the University of Bombay. He started his industrial career from Saraspur Mills (Lalbhai Concern) He worked at Bombay Dyeing Manufacturing and Company Limited where he worked as a deputy manager in the dyeing department. He has also worked at Mafatlal Industries as a processing manager in the processing department. He is a regular contributor to trade journals specializing in new technologies in the textile and apparel industry. He is currently acting as consultant to companies engaged in the textile industry and its allied fields. He is also an independent director in Mudra Lifestyle Limited.

Mr. Dhanpat M. Kothari, aged 41, is the independent Director of our Company. He has a bachelor's degree in commerce from the SPU College, Falna, Rajasthan. He is also a fellow member of the ICAI and is practising chartered accountant. His area of expertise is in the fields of company formation, tax and statutory audits. Mr. Kothari also appears before various authorities such sales tax and income tax authorities with respect to various matters.

Relationship between Directors

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

Name of Directors	Relationship
Mr. L. Jaipal Reddy	Father of Mr. L. Vinay Reddy
Mr. L. Vinay Reddy	Son of Mr. Jaipal Reddy

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

Details of Remuneration of the Directors

Remuneration of Directors

Mr. L. Vinay Reddy

Salary & dearness pay: Mr L. Vinay Reddy is entitled to a salary including dearness allowance, house rent allowance and other allowances of up to ₹ 2,00,000 per month with an annual increment of 20% over the previous year as remuneration during his term as Managing Director of our Company.

Commission: Mr. L. Vinay Reddy shall also be entitled to a yearly commission not exceeding 1% of the net profit of the Company in accordance with section 349 of the Companies Act.

Other perquisites & benefits: In addition to the above, Mr. L. Vinay Reddy is entitled to certain perquisites including up to a ceiling of ₹ 24,00,000 per annum. Apart from the aforesaid remuneration Mr. L. Vinay Reddy is also entitled to medical expenses incurred by him and his family members, entertainment expenses, club membership fees (subject to a maximum of two clubs), personal accident insurance policy, group insurance policy and car and telephones expenses.

During Fiscal 2010 he was paid ₹ 26.90 lacs

Mr. G. Ashok Reddy

Salary & dearness pay: Mr G. Ashok Reddy is entitled to a salary including dearness allowance, house rent allowance and other allowances of up to ₹ 1,50,000 per month with an annual increment of 20% over the previous year as remuneration during his term as wholetime Director of our Company.

Bonus: Mr. G. Ashok Reddy shall also be entitled to a yearly bonus not exceeding 1% of the net profit of the Company in accordance with section 349 of the Companies Act.

Other perquisites & benefits: In addition to the above, Mr. G. Ashok Reddy is entitled to certain perquisites including up to a ceiling of ₹ 18,00,000 per annum. Apart from the aforesaid remuneration Mr. G. Ashok Reddy is also entitled to medical expenses incurred by him and his family members, entertainment expenses, club membership fees (subject to a maximum of two clubs), personal accident insurance policy, group insurance policy and car and telephones expenses.

During Fiscal 2010 he was paid ₹ 22.25 lacs.

Mr. L. Jaipal Reddy

Salary & dearness pay: Mr L. Jaipal Reddy is entitled to a salary including dearness allowance, house rent allowance and other allowances of up to ₹ 1,25,000 per month.

Other perquisites & benefits: In addition to the above, Mr. L. Jaipal Reddy is entitled to perquisites which shall be restricted to an amount equal to the annual salary. The Board of Directors of our Company have the power to alter and / or vary the terms and conditions of his appointment, including remuneration, within Schedule XIII of the Companies Act and / or any schedule thereto in force as amended from time to time.

For Fiscal 2010 he is to be paid ₹ 2.50 lacs.

Benefits upon termination

Mr. L. Vinay Reddy, Mr. G. Ashok Reddy and Mr. L. Jaipal Reddy have not entered into any service contract with our Company which provides for benefits upon termination of their employment.

Sitting fees for independent Directors

Our independent Directors are paid sitting fees of ₹ 9,000 per meeting of the Board of Directors. Our independent Directors who are members of the Audit Committee are paid sitting fees of ₹ 5,000 per meeting of the Audit Committee. Our independent Directors who are members of the Shareholders' / Investor Grievance Committee are paid sitting fees of ₹ 2,500 per meeting of the Shareholders' / Investor Grievance Committee. Our independent Directors who are members of the Remuneration Committee are paid sitting fees of ₹ 2,500 per meeting of the Remuneration Committee. Our independent Directors who are members of the Issue Committee are paid sitting fees of ₹ 2,500 per meeting of the Issue Committee.

Borrowing powers of our Directors

Our Articles, subject to the provisions of section 293(1)(d) of the Companies Act authorize our Board, to borrow or raise money or secure the payment of any sum or sums of money for the purposes of our Company. The shareholders of our Company, through a resolution passed at the EGM dated February 8, 2010, authorised our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of our Company and its free reserves, not exceeding ₹ 50,000 lacs at any time.

Shareholding of Directors

As per our Articles of Association of our Company, a Director is not required to hold any shares in our Company to qualify him for the office of Director of our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as on the date of the Red Herring Prospectus:

S. No.	Name of the Director	No. of Equity Shares held	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1	Mr. L. Vinay Reddy	56,24,250	45.91	33.48

Interest as to Property

Except as disclosed in the Red Herring Prospectus, our Directors do not have any interest:

- in the promotion of our Company; or
- in any property acquired by our Company within two years from the date of the Red Herring Prospectus, or proposed to be acquired by our Company.

Changes in our Board of Directors during the last three years

The changes in our Board of Directors during the last three years are as follows:

Name of Director	Date of Appointment / Re-appointment	Date of cessation	Reason
Mr. Sunil Jaykumar Pathare	December 24, 1999	June 30, 2008	Resignation
Mr. Lattupalli Jaipal Reddy	January 6, 2009	-	Appointed
Mr. Baradi Narasimha Baradi Potha Reddy	October 9, 1995	January 20, 2010	Resignation
Mr. Sivabalan P. Pandian	September 20, 2010	-	Appointed
Mr. Gopal G. Sehgal	September 20, 2010	-	Appointed
Mr. Dhanpat M. Kothari	September 20, 2010	-	Appointed

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles, and to the extent of remuneration paid or payable to them for services rendered as an officer or employee of our Company.

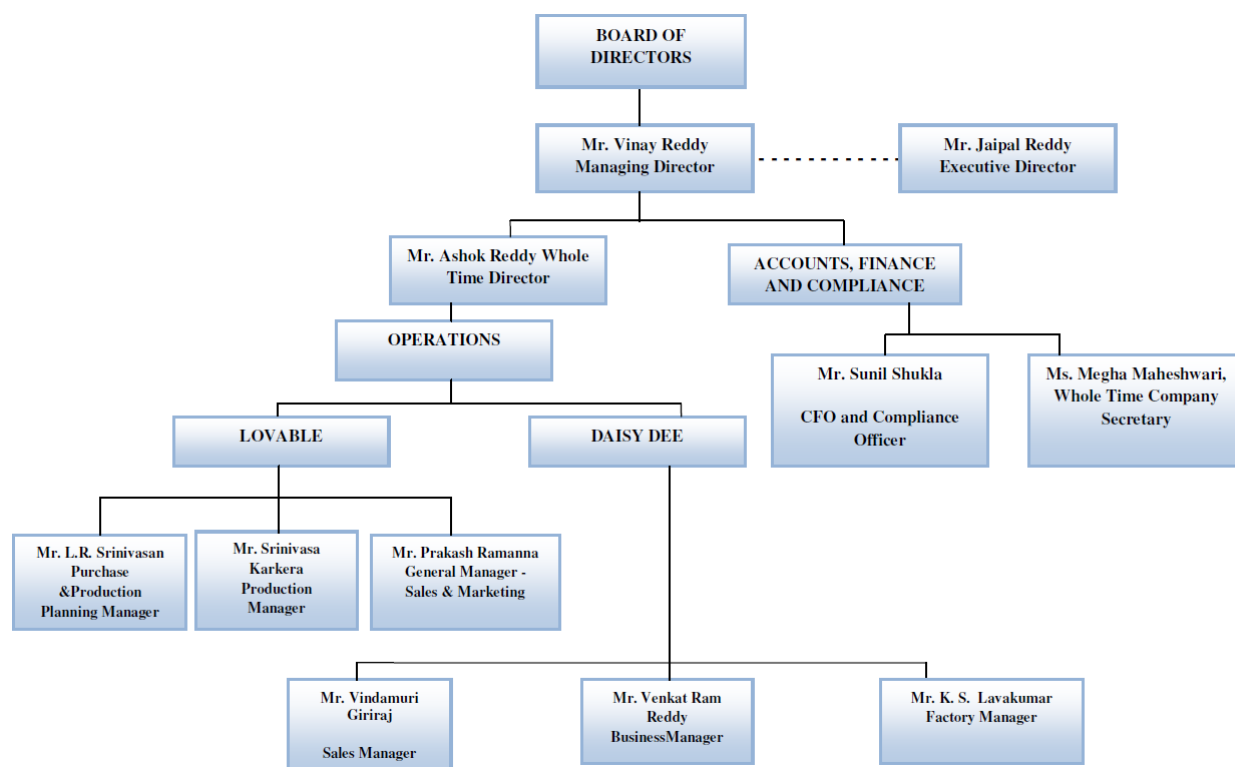
Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoter, pursuant to this Issue. All of our Directors may also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

Except as stated otherwise in the Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements and no such payments are proposed to be made to them.

For details of interests of our Promoter who is also our Managing Director, see the chapters titled “*Our Promoter*” and “*Our Promoter Group*” on pages 156 and 158 respectively of the Red Herring Prospectus.

Except as stated in chapter titled “*Related Party Transactions*” on page 159 of the Red Herring Prospectus, and to the extent of shareholding in our Company, if any, our Directors do not have any other interest in our business. Further, see “*Disassociation by the Promoter in the last three years*” on page 206 of the Red Herring Prospectus.

Managerial Organisation Structure



Corporate Governance

Our Company has complied with the requirements of the applicable regulations, including the listing agreement to be entered in to with the Stock Exchanges and the SEBI (ICDR) Regulations, in respect of corporate governance including constitution of our Board of Directors and Committees thereof. Corporate Governance is administered through the Board and the committees of the Board. Additionally, the primary responsibility of upholding high standards of corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value, vests with the Board.

Presently, our Board has 6 directors of which 3 are executive and wholetime directors, and 3 are independent directors. Our Company is in compliance with the applicable provisions of the listing agreements pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of our Board:

Committees of the Board

We have constituted the following committees of the Board of Directors:

1. Audit Committee;
2. Shareholders' / Investor Grievance Committee;
3. Remuneration Committee; and
4. Issue Committee;

1. Audit Committee

Our Board constituted an Audit Committee, pursuant to the provisions of section 292A of the Companies Act *vide* the Board resolution dated September 20, 2010.

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the Listing Agreement. Currently the Audit Committee comprises of:

Name of Directors	Designation in the Committee	Nature of Directorship
Mr. Dhanpat M. Kothari	Chairman	Non executive, independent Director
Mr. Gopal G. Sehgal	Member	Non executive, independent Director
Mr. Sivabalan P. Pandian	Member	Non executive, independent Director
Mr. L. Vinay Reddy	Member	Executive, non independent Director

Mrs. Megha Maheshwari, our Company Secretary will act as the secretary to the Committee.

The Audit Committee enjoys following powers:

1. To invite such of the executives, as it considers appropriate (and particularly the head of finance function) to be present at the meetings of the committee,
2. To investigate any activity within its terms of reference;
3. To seek information from any employee;
4. To obtain outside legal or other professional advice; and
5. To secure attendance of outsiders with reasonable expertise, if considered necessary.

The terms of reference of the Audit Committee of our Company includes:

1. Overseeing our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Appointment, removal and terms of remuneration of internal auditors
5. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Sec. 217 of the Companies Act;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to the financial statements;
 - Disclosure of any related party transactions;
 - Qualifications in the draft audit report;
6. Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;

7. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
8. Monitoring the use of the proceeds of the proposed initial public offering of our Company.
9. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
10. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
11. Reviewing management letters / letters of internal control weaknesses issued by the statutory auditors;
12. Discussion with internal and statutory auditors on any significant findings and follow up there on;
13. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
14. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
15. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors;
16. To review the functioning of the whistle blower mechanism, when the same is adopted by our Company and is existing;
17. Carrying out any other function as may be statutorily required to be carried out by the Audit Committee;
18. The Audit Committee shall mandatory review the following information:
 - Management's discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, are binding on the Board. If the Board is not in agreement with the recommendations of the committee, reasons for disagreement shall have to be minuted in the Board Meeting and the same has to be communicated to the shareholders. The Chairman of the committee has to attend the annual general meetings of our Company to provide clarifications on matters relating to the audit.

2. Shareholders' / Investor Grievance Committee

Our Company has constituted a Shareholders' / Investors' Grievance Committee *vide* resolution dated September 20, 2010, as per the requirements of the Clause 49 of the Listing Agreement for corporate governance, for redressing shareholder / investor complaints. Currently the Shareholders / Investors Grievance Committee comprises of the following Directors:

Name of Directors	Designation in the Committee	Nature of Directorship
Mr. Gopal G. Sehgal	Chairman	Non executive, independent Director
Mr. Sivabalan P. Pandian	Member	Non executive, independent Director
Mr. L. Vinay Reddy	Member	Executive, non independent Director

Mrs. Megha Maheshwari, our Company Secretary will act as the secretary to the committee.

The Shareholders / Investors Grievance Committee is responsible for the redressal of shareholders and investors' grievances and oversees performance of the registrars and transfer agents of our Company and recommends measures for overall improvement in the quality of investor services. This committee also monitors the implementation and compliance of our code of conduct for prohibition of insider trading pursuant to the SEBI Insider Trading Regulations in compliance of the provisions of Clause 49 of the listing agreements with the Stock Exchanges and its terms of reference include the following:

The terms of reference include the following:

1. Efficient transfer of Equity Shares; including review of cases for refusal of transfer / transmission of shares and debentures;
2. Redressing of shareholders and investor complaints such as non-receipt of declared dividend, annual report, transfer of Equity Shares and issue of duplicate/split/consolidated share certificates;
3. Monitoring transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by our Company, including review of cases for refusal of transfer/ transmission of shares and debentures;
4. Allotment and listing of shares in future;
5. Review of cases for refusal of transfer / transmission of shares and debentures;
6. Reference to statutory and regulatory authorities regarding investor grievances;
7. Ensure proper and timely attendance and redressal of investor queries and grievances;
8. To do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers;
9. To review from time to time the secretarial department;
10. Investor relations and redressal of shareholders grievances in general and relating to non receipt of declared dividends, interest, non- receipt of balance sheet etc.;
11. Such other function as may be referred to by the Board or as prescribed by the listing agreement, as amended from time to time or any statutory, contractual or other regulatory requirements to be attended to by such committee.

3. Remuneration Committee

For remuneration of the Directors, our Company has constituted Remuneration Committee *vide* Board resolution dated September 20, 2010. The committee has powers of recommending remuneration package to for executive Directors and other members of the Board as per the requirements of the Clause 49 of the Listing Agreement. Currently the Remuneration Committee comprises of the following Directors:

Name of Directors	Designation in the Committee	Nature of Directorship
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Name of Directors	Designation in the Committee	Nature of Directorship
Mr. Sivabalan P. Pandian	Chairman	Non executive, independent Director
Mr. Gopal G. Sehgal	Member	Non executive, independent Director
Mr. Dhanpat M. Kothari	Member	Non executive, independent Director
Mr. L. Vinay Reddy	Member	Executive, non independent Director

Mrs. Megha Maheshwari, our Company Secretary will act as the secretary to the committee.

The terms of reference of the remuneration committee of our Company includes:

1. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India, including:
 - The SEBI Insider Trading Regulations; or
 - The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.
2. To recommend to the Board, the remuneration packages of our Company's managing/joint managing/ deputy managing/whole time / executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
3. To determine on behalf of the Board and subject to the approval of the shareholders with agreed terms of reference, our Company's policy on specific remuneration packages for Company's managing/joint managing/ deputy managing/ whole time/ executive Directors, including pension rights and any compensation payment;
4. To implement, supervise and administer any share or stock option scheme of our Company
5. To attend to any other responsibility as may be entrusted by the Board within the terms of reference.
6. 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.

4. Issue Committee

The Issue Committee was constituted *vide* Board Resolution dated September 20, 2010 to oversee and inform the Audit Committee when the money is raised through the prospectus or rights or preferential issue. The Issue Committee shall also appraise the Audit Committee of the status of the funds received, utilized and pending for project implementation *etc.* for onward information to the Stock Exchanges and investors. The Issue Committee shall be responsible for keeping such information up dated through our Company's website. Currently the Issue Committee comprises of the following Directors:

Name of Directors	Designation in the Committee	Nature of Directorship
Mr. L. Vinay Reddy	Chairman	Executive, non independent Director
Mr. G. Ashok Reddy	Member	Executive, non independent Director
Mr. L. Jaipal Reddy	Member	Executive, non independent Director

Mrs. Megha Maheshwari, our Company Secretary will act as the secretary to the committee.

The terms of reference of the Issue Committee are as follows:

1. To decide on the:

- actual size of the Issue (including any offer for sale by promoter or shareholders), green shoe option, any pre-Issue placement, promoter's contribution and / or reservation for employees or shareholders of promoting companies or shareholders of group companies and / or any other reservations or firm allotments as may be permitted;
 - timing, pricing and all the terms and conditions of the issue of the Equity Shares, and to accept, implement, negotiate, carry out and decide any amendments, modifications, variations or alterations thereto;
2. to appoint and enter into arrangements with the book running lead managers, co-managers to the Issue, underwriters to the Issue, bankers to our Company, syndicate members to the Issue, advisors to the Issue, stabilizing agent, brokers to the Issue, escrow collection bankers, accountants, auditors, depositories, trustees, custodians, registrar to the Issue, legal advisors as to Indian and overseas jurisdictions to our Company, advertising and/or promotion or public relations agencies and any other agencies, persons or other intermediaries as may be involved with the Issue, including any successors or replacements thereof;
 3. to modify, amend and alter the preliminary and final offer documents for raising of funds through initial public offer, further public offer, qualified institutional placements, issue of foreign currency convertible bonds, optionally convertible debentures, global depository receipts, american depository receipts or any other instrument(s), thereof in the best interests of the Company, to sign the same on behalf of the Company and to deliver it to various parties as may be necessary;
 4. to finalize, approve, execute and deliver or arrange the delivery of the offering documents (including the draft red herring prospectus, the red herring prospectus, the final prospectus (including the preliminary international wrap and the final international wrap, if required, for marketing of the Issue in jurisdictions outside India)), the statement-in-lieu of the prospectus, syndicate agreement, underwriting agreement, escrow agreement, stabilization agreement and all other documents, deeds, agreements and instruments and any amendments, supplements, notices or corrigenda thereto, together with any summaries thereto, as may be required or desirable in connection with the Issue;
 5. to open one or more separate current account(s) in such name and style as may be decided, with a scheduled bank to receive applications along with application monies in respect of the issue of the Equity Shares of our Company;
 6. to open one or more bank account(s) of our Company in such name and style as may be decided for the handling of refunds for the Issue;
 7. to open any other bank account(s), share/securities account, escrow or custodian accounts, in India or abroad, in rupees or in any other currency, in accordance with applicable laws, rules, regulations, approvals and guidelines;
 8. to make applications for listing of the Equity Shares of our Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s), or equivalent documentation to the concerned stock exchange(s) and to take all such actions as may be necessary in connection with obtaining the listing of the Equity Shares of our Company;
 9. to make and approve amendments to the memorandum of association and the articles of association of our Company;
 10. to approve all actions required to dematerialize the Equity Shares of our Company;
 11. to approve codes of conduct as may be considered necessary by the Board or the Issue Committee or as required under applicable laws, regulations or guidelines for the Board, officers of our Company and other employees of our Company;
 12. to approve a suitable policy on insider trading as required under applicable laws, regulations and guidelines;

13. to approve any corporate governance requirement that may be considered necessary by the Board or the Issue Committee or as may be required under applicable laws, regulations or guidelines in connection with the Issue;
14. to take all action as may be necessary or authorized in connection with any offer for sale;
15. to remunerate all book running lead managers, co-managers to the Issue, underwriters to the Issue, bankers to our Company, syndicate members to the Issue, advisors to the Issue, stabilizing agent, brokers to the Issue, escrow collection bankers, accountants, auditors, depositories, trustees, custodians, registrar to the Issue, legal advisors as to Indian and overseas jurisdictions to our Company, advertising and/or promotion or public relations agencies and any other agencies, persons or other intermediaries as may be involved with the Issue, by way of commission, brokerage, fees or the like;
16. to seek the admission of our Company's Equity Shares into the CDSL and the NSDL and take any further action as may be necessary or required for the dematerialization of our Company's Equity Shares;
17. to seek, if required, the consent of our Company's lenders, parties with whom our Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents that may be required in connection with the Issue;
18. to determine the price band for the purpose of bidding, any revision to the price band and the final Issue price after bid closure;
19. to determine the bid opening and closing dates;
20. to finalize the allocation/allotment/transfer of Equity Shares to retail investors/non-institutional investors/qualified institutional buyers in consultation with the book running lead managers, the stock exchanges and/or any other entity;
21. to allocate/issue/allot/transfer the Equity Shares in accordance with the terms of the Issue, and all such Equity Shares shall rank *pari passu* with the existing Equity Shares of our Company in all respects, except as may be provided under the terms of the Issue;
22. to authorize and empower the Directors, officers of our Company (each, an "Authorized Officer"), for and on behalf of our Company, to execute and deliver, on a several basis, any agreements and arrangements as well as amendments or supplements thereto that the Authorized Officer considers necessary, desirable or advisable, in connection with the Issue, including, without limitation, engagement letter(s), the listing agreements, the registrar's agreement and memorandum of understanding, the depositories agreements, the memorandum of understanding with the book running lead managers (and other entities as appropriate), the underwriting agreement, the syndicate agreement, the stabilization agreement, the escrow agreement, confirmation of allocation notes, and any agreement or document in connection with the pre-Issue placement (including any placement agreement, escrow agreement and offering documentation), with the book running lead managers, co-managers to the Issue, underwriters to the Issue, bankers to our Company, syndicate members to the Issue, advisors to the Issue, stabilizing agent, brokers to the Issue, escrow collection bankers, accountants, auditors, depositories, trustees, custodians, registrar to the Issue, legal advisors as to Indian and overseas jurisdictions to our Company, advertising and/or promotion or public relations agencies and any other agencies, persons or other intermediaries as may be involved with the Issue, and any such agreements or documents so executed and delivered and acts and things done by any such Authorized Officer shall be conclusive evidence of the authority of the Authorized Officer and our Company in so doing;
23. to severally authorize each of the Authorized Officers to enter into and execute all other arrangements, letters, agreements, deeds, and powers of attorney with the placement agents, book running lead managers, co-managers to the Issue, underwriters to the Issue, bankers to our Company, syndicate members to the Issue, advisors to the Issue, stabilizing agent, brokers to the Issue, escrow collection bankers, accountants, auditors, depositories, trustees, custodians, registrar to the Issue, legal advisors as to Indian and overseas jurisdictions to our Company, advertising and/or promotion or public relations agencies and any other agencies, persons or

other intermediaries as may be involved with the Issue, with such changes, additions and insertions thereto as any Authorized Officer may deem necessary, appropriate or advisable, and to make payments to or remunerate the book running lead managers, co-managers to the Issue, underwriters to the Issue, bankers to our Company, syndicate members to the Issue, advisors to the Issue, stabilizing agent, brokers to the Issue, escrow collection bankers, accountants, auditors, depositories, trustees, custodians, registrar to the Issue, legal advisors as to Indian and overseas jurisdictions to our Company, advertising and/or promotion or public relations agencies and any other agencies, persons or other intermediaries as may be involved with the Issue, by way of fees, commission, brokerage or the like; and any such documents so executed and delivered or acts and things done or caused to be done by any Authorized Officer shall be conclusive evidence of the authority of such Authorized Officer and our Company in so doing and any document so executed and delivered or acts and things done or caused to be done by any such Authorized Officer prior to the date hereof are hereby ratified, confirmed and approved as the acts and deeds of the Authorized Officer and Company;

24. to make or to authorize an Authorized Officer to make any application and take any and all action in connection with obtaining approvals or entering into any arrangement, in respect thereof from the FIPB, the RBI, the shareholders of our Company, the GoI, SEBI, RoC and such other authorities, as may be required, in connection with the Issue, including the issue of the Equity Shares to non-resident investors, including but not limited to, NRIs, FIIs, FVCI's and other non-residents;
25. to severally authorize and empower each Authorized Officer, for and on behalf of our Company, to execute and deliver any and all other documents, papers or instruments and to do or cause to be done any and all acts or things as any such Authorized Officer may deem necessary, appropriate or advisable in order to carry out the purposes and intent of the foregoing resolutions for the IPO; and any such documents so executed and delivered or acts and things done or caused to be done by any such Authorized Officer shall be conclusive evidence of the authority of such Authorized Officer and our Company in so doing and any such document so executed and delivered or acts and things done or caused to be done by any such Authorized Officer prior to the date hereof are hereby ratified, confirmed and approved as the act and deed of the Authorized Officer and our Company, as the case may be;
26. to do all such acts, things or deeds, including authorizing any of the Authorised Officer director/officer of the Company or any outside agency/entity/person as may be necessary or incidental to the Issue including but not limited to intimating the stock exchanges and filing of applications for seeking listing and trading permissions from the stock exchanges and making other regulatory filings, if any
27. to settle all questions, difficulties or doubts that may arise in regard to the Issue or allotment of Equity Shares as the Issue Committee may, in its absolute discretion, deem fit; and
28. to sign, execute, and deliver all such documents or instruments and do all such acts, deeds, matters and things as the Issue Committee may, in its absolute discretion, deem necessary or desirable in order to carry out the purposes and intent of the foregoing, or otherwise in relation to the Issue or any matter incidental or ancillary in relation to the Issue, including without limitation, allocation and allotment of the Equity Shares as permissible in law and issue of share certificates in accordance with the relevant rules, and any documents or instruments so executed and delivered or acts and things done or caused to be done by the Issue Committee shall be conclusive evidence of the authority of the Issue Committee in so doing.

Key Managerial Personnel of our Company

The following are the details of the key management personnel of our Company, as of the date of the Red Herring Prospectus:

Mr. Lakshmipuram R. Srinivasan, aged 41 years, is the quality manager for our units at Bengaluru. He joined our Company on June 1, 1996. Mr. Srinivasan holds a bachelor's degree in engineering from Dr. Ambedkar Institute of Technology (affiliated to Bangalore University). He has previously held the position of production engineer for a period of two (02) years at Srichakra Engineering Equipments prior to joining our Company. He has a total work experience of 16 years. Mr. Srinivasan was paid a remuneration of ₹ 6.35 lacs in Fiscal 2010.

Mr. Srinivasa Karkera, aged 53 years, is the production manager for our units at Bengaluru. He joined our Company on November 15, 1995. Mr. Karkera has completed his pre university education from St. Alloysous College, Bengaluru. He has previously held the position of production executive in Gokaldas Exports Limited for a period of two (02) years and production in charge in Comfort Hoisery Limited for a period of 12 years prior to joining our Company. He has a total work experience of 28 years. Mr. Karkera was paid a remuneration of ₹ 7.31 lacs in Fiscal 2010.

Mr. Prakash Ramanna, aged 48 years, is the general manager (sales and marketing) of our Company. He joined our Company on April 2, 1998. Mr. Ramanna holds a post graduate diploma in marketing and sales management from Bharatiya Vidya Bhavan, Baroda. He has previously worked with Birla 3M Limited for three (03) years prior to joining our Company. He has a total work experience of 25 years. Mr. Ramanna was paid a remuneration of ₹ 9.73 lacs in Fiscal 2010.

Mr. Vindamuri Giriraj, aged 42 years, is the all India sales manager of our Company. He joined our Company on June 15, 2001. Mr. Giriraj holds a bachelor's degree in commerce from Osmania University and is an MBA in marketing from Nagarjuna University. He has previously worked with Zodiac Clothing Limited as a branch manager for two (02) years prior to joining our Company. He has a total work experience of 16 years. Mr. Giriraj was paid a remuneration of ₹ 10.07 lacs in Fiscal 2010.

Mr. Venkat Ram Reddy, aged 40 years, is the business manager of our Company. He joined our Company on September 1, 2004. Mr. Reddy holds a bachelor's degree in arts from Osmania University. He has previously worked with Maxwell Industries Limited as a sales administrator for nine 9 years prior to joining our Company. He has a total work experience of 14 years. Mr. Reddy was paid a remuneration of ₹ 3.98 lacs in Fiscal 2010.

Mr. K.S. Lavakumar, aged 52 years, is the factory manager of the Daisy Dee division of our Company. He joined our Company on October 1, 2004. Mr. Lavakumar holds graduation certificate pursuant to completion of training as airframe fitter at no. 2 ground training school of the Indian Air Force. He has previously worked with Maxwell Industries Limited as a production manager for a period of 1 year prior to joining our Company. He has a total work experience of 35 years. Mr. Lavakumar was paid a remuneration of ₹ 6.21 lacs in Fiscal 2010.

Mr. Sunil Shukla, aged 44 years, is the chief financial officer of our Company. He joined our Company on September 1, 2010. Mr. Shukla holds a M.Sc degree in Maths from Kanpur University. He is also a member of the ICAI and ICWAI. He has previously worked with Federal Brands Limited, our Group Entity, for one (01) year prior to being transferred to our Company. He has a total work experience of 14 years. Mr. Shukla was not paid any remuneration in Fiscal 2010 as he joined our Company on September 1, 2010.

Mrs. Megha Maheshwari, aged 26 years, is the company secretary of our Company. She joined our Company on May 5, 2010. Mrs. Maheshwari holds a LLB degree from the University of Rajasthan. She is also a member of the ICSI. She has previously worked with M/s Jain Sharma & Associates as a management trainee for 15 months prior to joining our Company. She has a total work experience of two (02) years. Mrs. Maheshwari was not paid any remuneration in Fiscal 2010 as she joined our Company on May 6, 2010.

Relationship of the key managerial personnel with our Promoter / Directors

None of our key managerial personnel are "related" to the Promoter or Directors of our Company within the meaning of section 6 of the Companies Act.

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. None of our key managerial personnel have been paid any consideration of any nature by our Company, other than their remuneration in the last two years. All our key managerial personnel may also be deemed to be interested to the extent of Equity Shares, if any, that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. As of the date of

the Red Herring Prospectus, none of our key managerial personnel holds any Equity Shares. None of our key managerial personnel have entered into any arrangements or undertakings with major shareholders, customers, suppliers or others pursuant to which the key managerial personnel was selected as a director or a member of senior management.

Bonus or Profit Sharing Plan of the Key Management Personnel

Our Company does not have any bonus or profit sharing plan of the Key Management Personnel.

Status of Key Managerial Personnel

All our Key Managerial Personnel are employed with us on a permanent basis.

Shareholding of Our Key Managerial Personnel

None of our key managerial personnel hold any Equity Shares in our Company as on date of the Red Herring Prospectus.

Changes in our key managerial personnel during the last three years:

Name	Date of becoming key managerial personnel	Date of cessation	Reason for changes
Mr. Vijay Rao (Head – Operations)	September 5, 2007	July 31, 2010	Retirement

Employees Stock Option Scheme

Our Company does not have any employee stock option scheme or other similar scheme giving options in our Equity Shares to our employees.

Payments and other benefits to the officers of our Company

Except as stated in the Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers, employees of our Company.

Policy on Disclosure and internal procedure for prevention of Insider Trading

Our Company will comply with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 on the listing of our shares on BSE and NSE.

Mrs. Megha Maheshwari, Company Secretary and Mr. Sunil Shukla, Compliance Officer, are responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

Management powers of our Promoter

Article 143A of our Articles of Association gives our Promoter or any person nominated by him in that behalf, so long as he and any of the persons specified in such article hold singly or collectively 15% of the paid up capital of our Company, the power to appoint one third of on the total number of Directors on our Board (the “**Promoter Directors**”). Our Promoter, pursuant to the aforesaid article, also has the power remove or replace such Promoter Director. The Promoter Directors shall not be liable to retire by rotation under the provisions of section 255 of the Companies Act at any general meeting of our Company and nor shall such Promoter Directors be required to hold any qualification shares. For further details please see chapter titled “*Main Provisions of the Articles of Association*” on page 305 of the Red Herring Prospectus.

OUR PROMOTER

Our Individual Promoter



Mr. L. Vinay Reddy, is the Chairman and Managing Director of our Company. He is a resident Indian national. He has a bachelor's degree in commerce from the University of Bombay. He has over 20 years of experience in the innerwear industry. He has been with our Company since its inception. He was instrumental in obtaining license of "Lovable" brand for our Company. He has vast experience in the areas of management, marketing strategies and overall administration control and supervision. The overall day to day affairs and management decisions of our Company are under the supervision of Mr. L. Vinay Reddy. He was previously a director in Maxwell Industries.

Mr. L. Vinay Reddy's driving license number is MH02 20100145828. His passport number is F7174861. He does not have a voter identification card.

Our Company undertakes that the PAN, bank account number and passport number of Mr. L. Vinay Reddy have been submitted to the Stock Exchanges, at the time of filing the Draft Red Herring Prospectus with them.

Mr. L. Vinay Reddy is the son of Mr. L. Jaipal Reddy, who is the original promoter of our Company.

For details of the acquisition of Equity Shares made by Mr. L. Vinay Reddy please refer to the chapter titled "*Capital Structure*" on page 55 of the Red Herring Prospectus.

Interest of our Promoter, Group Entities, Directors and Key Managerial Personnel

Except as stated in chapter titled "*Related Party Transactions*" on page 159 of the Red Herring Prospectus and to the extent of compensation / sitting fees and reimbursement of expenses in accordance with the term of employment, our Promoter does not have any other interest in our business. Our Promoter may also be regarded interested to the extent of dividend payable to him and other distributions in respect of the Equity Shares, if any, held by him or by the companies / firms / ventures promoted by him or that may be subscribed by or allotted to him and the companies, firms, in which he is interested as Director, member, partner and Promoter, pursuant to the Issue.

All our Directors, Key Managerial Personnel and Promoter may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations.

As of the date of the Red Herring Prospectus, none of the Group Entities have any interest in the promotion of the Issuer.

Our Directors, our Promoter and Group Entities do not have any interest in any property acquired by our Company in the period of two (2) years before filing the Red Herring Prospectus with SEBI or proposed to be purchased/acquired which is to be paid wholly or partly out of the proceeds of the Issue.

Except as stated otherwise in the Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which our Promoter is directly or indirectly interested and no payments have been made to him in respect of the contracts, agreements or arrangements which are proposed to be made with him including the properties purchased by us other than in the normal course of business.

Our Promoter and Group Entities do not have any interest in any transaction in acquisition of land, construction of building and supply of machinery with respect to the Issuer.

Payment or Benefit to our Promoter

Except as stated in chapter titled “***Related Party Transactions***” on page 159 of the Red Herring Prospectus, no amount or benefit has been paid or given to the Promoter within the two years preceding the date of filing of the Red Herring Prospectus and no such amount or benefit is intended to be paid.

Common Pursuits

Some of our Group Entities have common pursuits and are involved in the production, distribution and supply of lingerie products within or outside India. We have entered into a non-compete agreement dated November 02, 2010 Reddy and Pathare Elastics Private Limited, Bellini Fashions Private Limited, La Reine Fashions Private Limited, Federal Brands Limited, Vinay Hosiery Private Limited and Strategy Games Private Limited (the “**Group Entities**”) wherein the Group Entities have agreed not to compete with the business of our Company. For, further details on the related party transactions, to the extent of which our Company is involved, see the chapter titled “***Related Party Transactions***” on page 159 and the chapter titled “***History and Certain and Corporate Matters***” on page 128 respectively of the Red Herring Prospectus.

Confirmations

Our Promoter has confirmed that he has not been declared as a wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by him in the past and no proceedings pertaining to such penalties are pending against him.

Additionally, our Company, our Promoter, Promoter Group or Directors or persons in control of our Company have not been restrained from accessing the capital markets for any reasons by the SEBI or any other authorities. Further, none of our Promoter, Directors or persons in control of our Company was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital markets under any order or directions made by SEBI.

OUR PROMOTER GROUP

Promoter and Promoter Group in terms of Regulation 2(1)(za) and 2(1)(zb) of the SEBI (ICDR) Regulations.

Our Promoter is Mr. L. Vinay Reddy

1. Individuals Related to our Promoter

Relationship with Mr. L. Vinay Reddy	Name
Father	Mr. L. Jaipal Reddy
Mother	Mrs. L. Shobha Reddy
Brother	Mr. L. Prashant Reddy
Sister	Mrs. Veena Reddy
Spouse	Mrs. Taruna Reddy
Spouse's Father	Mr. Prakash Rajani
Spouse's Mother	Late Mrs. Neelam Rajani
Children	Mr. Rudraveer Reddy
	Mr. Kshatray Krishn Reddy
	Ms. Varenayasri Reddy

2. Companies, proprietary concerns, HUF's related to our Promoter:

Nature of Relationship	Entity
Any body corporate in which 10% or more of the equity share capital is held by the Promoter or an immediate relative of the Promoter or a firm or Hindu Undivided Family in which the Promoter or any one or more of his immediate relative is a member	Companies <ol style="list-style-type: none"> 1. Federal Brands Limited 2. Bellini Fashions Private Limited 3. Strategy Games Private Limited 4. Holstein Ecofoods Private Limited 5. La Reine Fashions Private Limited 6. Reddy and Pathare Elastics Private Limited 7. Hype Integracomm Private Limited 8. Vinay Hosiery Private Limited 9. Lovable Lifestyles Private Limited Partnerships <ol style="list-style-type: none"> 1. Aadhunik Vitharak 2. Techknit Industries 3. Paras and Company
Any body corporate in which a body corporate as mentioned above holds 10% or more, of the equity share capital	Nil
Any HUF or firm in which the aggregate shareholding of the Promoter and his immediate relatives is equal to or more than 10%	<ol style="list-style-type: none"> 1. L. Vinay Reddy (HUF) 2. L. Jaipal Reddy (HUF)

Further, none of our Promoter is a body corporate.

For further details on our Promoter Group refer chapter titled “*Group Entities*” on page 198 of the Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

For details on related party transactions please refer to “*Annexure 17*” under the chapter titled “*Auditors Report and Financial Information*” on page 189 of the Red Herring Prospectus.

DIVIDEND POLICY

Under the Companies Act, our Company can pay dividends upon a recommendation by our Board of Directors and approval by a majority of the shareholders at the annual general meeting, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. The dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both. The Articles of Association of our Company also gives the discretion to our Board of Directors to declare and pay interim dividends without shareholder's approval at an annual general meeting.

The declaration and payment of dividend will be recommended by our Board and approved by the shareholders of our Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board. The Board may also from time pay interim dividend. All dividend payments are made in cash to the shareholders of our Company.

The dividends declared by our Company on the Equity Shares during the last five years have been presented below:

Year Ended/Half Year Ended	Equity Capital (₹ In Lacs)	Face value of the Equity Shares (in ₹)	Rate of Dividend (Percent)	Amount of Dividend (₹ In Lacs)
March 31, 2006	50.00	100	-	-
March 31, 2007*	50.00	100	350	175.00
March 31, 2008	150.00	100	10	15.00
March 31, 2009	150.00	100	10	15.00
March 31, 2010	750.00	10	10	75.00

* The annual accounts of our Company for the year ended March 31, 2006 and March 31, 2007 were not approved by the members of our Company at the AGM held on September 29, 2006 and September 29, 2007 respectively since our Company was considering a scheme of amalgamation with Maxwell Industries Limited (the "Scheme"). The Scheme was subsequently withdrawn vide an order of the Hon'ble High Court at Bombay dated December 13, 2007. The Board of Directors at their meeting held on March 31, 2007 had declared an interim dividend of ₹ 350 per Equity Share. The interim dividend was duly approved by the members of our Company at the adjourned AGM of our Company, for the financial years ended March 31, 2006 and March 31, 2007, on January 21, 2008.

The dividends declared by our Company on the Preference Shares during the last five years have been presented below:

Year Ended/Half Year Ended	Preference Share Capital (₹ In Lacs)	Rate of Dividend (Percent)	Amount of Dividend (₹ In Lacs)
March 31, 2006 ⁽¹⁾	50.00	11	2.75
March 31, 2007 ⁽²⁾	50.00	11	8.25
March 31, 2008 ⁽³⁾	50.00	11	5.03
March 31, 2009	-	-	-
March 31, 2010	-	-	-

(1) The holders of the Preference Shares were paid dividend only for the period from April 1, 2005 to September 30, 2005 due to the contemplation of the Scheme by our Company.

(2) The annual accounts of our Company for the year ended March 31, 2006 and March 31, 2007 were not approved by the members of our Company at the AGM held on September 29, 2006 and September 29, 2007 respectively due to the contemplation of the Scheme. The Scheme was subsequently withdrawn vide an order of the Hon'ble High Court at Bombay dated December 13, 2007. The Board of Directors at their meeting held on March 31, 2007 had declared an interim dividend of ₹ 16.50 per Preference Share (which included the arrears of dividend for the period from October 1, 2005 to March 31, 2006 and the dividend due on the Preference Shares for the year ended March 31, 2007). The interim dividend was duly approved by the members of our Company at the adjourned AGMs of our Company, for the financial year ended March 31, 2006 and March 31, 2007, on January 21, 2008.

(3) The Board of Directors at their meeting held on February 28, 2008 redeemed the entire paid up Preference Share capital of our Company. The dividend of ₹ 5.03 lacs was the dividend payable up to February 28, 2008.

SECTION V: FINANCIAL STATEMENTS

AUDITORS REPORT AND FINANCIAL INFORMATION

**The Board of Directors,
Lovable Lingerie Limited**
A-46, Street No.2, MIDC
Andheri (East)
Mumbai – 400 093

Sub: Proposed Initial Public Offer (“IPO”) of Lovable Lingerie Limited

Dear Sirs,

A.

We have examined the attached financial information of LOVABLE LINGERIE LIMITED ("the Company") described below in A and B and annexed to this report and initialed by us for identification, which has been prepared by the management and approved by the Board of Directors of the Company for the purpose of disclosure in the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus (Referred as “Offer Document”) being issued by the Company in connection with the IPO. This financial information has been prepared in accordance with the requirements of:

1. Para B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act") and the amendment thereof;
2. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI ICDR Regulations") and the related amendments thereto issued by the Securities and Exchange Board of India ('SEBI') pursuant to section 11 of the Securities and Exchange Board of India Act, 1992, as amended to date.
3. The revised Guidance Note on reports in Company Prospectuses issued by the Institute of Chartered Accountants of India ('ICAI'); and
4. The terms of our letter of engagement requesting us to carry out work in connection with the terms of the Offer Document as aforesaid.

Restated Financial Information of the company as per Audited Financial Statements

- (i) We report that the restated assets and liabilities of the Company as at 31st March 2006, 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and for 9 months ended 31st Dec, 2010, are as set out in ‘**Annexure 1**’ to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Statement of Significant Accounting Policies as appearing in ‘**Annexure 3**’ and Notes to the Statement of Assets and Liabilities and Profit & Loss Account appearing in ‘**Annexure 4**’ to this report.
- (ii) We report that the restated profits of the Company for the financial years ended 31st March 2006, 31st March 2007, 31st March 2008, 31st March 2009, 31st March 2010 and for 9 months ended 31st Dec 2010, are as set out in ‘**Annexure 2**’ to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Statement of Significant Accounting Policies as appearing in ‘**Annexure 3**’ and Notes to the Statement of Assets and Liabilities and Profit & Loss Account appearing in ‘**Annexure 4**’ to this report.

B. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, which has been approved by you and are annexed to this report :

- i. Details of Changes in Significant Accounting Policies as given in ‘**Annexure 5**’ to this report.
- ii. Details of Qualifications appearing in audit report as given in ‘**Annexure 6**’ to this report;
- iii. Statement of Cash Flow as appearing in ‘**Annexure 7**’ to this report;
- iv. Statement of Accounting Ratios as appearing in ‘**Annexure 8**’ to this report;
- v. Details of Unsecured Loans taken including loan taken from related parties as appearing in ‘**Annexure 9**’ to this report;
- vi. Capitalization Statement as appearing in ‘**Annexure 10**’ to this report;
- vii. Statement of Tax Shelter as appearing in ‘**Annexure 11**’ to this report;
- viii. Statement of Secured Loans as appearing in ‘**Annexure 12**’ to this report;
- ix. Statement of Investments as appearing in ‘**Annexure 13**’ to this report;
- x. Statement of Debtors including related parties debtors as appearing in ‘**Annexure 14**’ to this report;
- xi. Details of Loans and Advances as appearing in ‘**Annexure 15**’ to this report.
- xii. Statement of Other Income as appearing in ‘**Annexure 16**’ to this report;
- xiii. Details of transaction with the Related Parties as appearing in ‘**Annexure 17**’ to this report;
- xiv. Statement of Operating Income as appearing in ‘**Annexure 18**’ to this report;
- xv. Statement of Cost of Goods Sold as appearing in ‘**Annexure 19**’ to this report;
- xvi. Statement of Rates and amounts of Dividend as appearing in ‘**Annexure 20**’ to this report;
- xvii. Statement of Reserves and Surplus as appearing in ‘**Annexure 21**’ to this report;
- xviii. Statement of Contingent Liabilities as appearing in ‘**Annexure 22**’ to this report;
- xix. Statement of Current Liabilities as appearing in ‘**Annexure 23**’ to this report.

C.

- a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in ‘**Annexure 3**’ to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Statements enclosed in ‘**Annexure 4**’, has been prepared in accordance with Part II of Schedule II of the Act and we have complied with the Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009.
- b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Initial Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Attar & Co.

Chartered Accountants

Firm Registration No.112600 W

M F Attar

Proprietor

Membership No 034977

Place: Mumbai

Date: February 15, 2011

Annexure 1
Statement of Assets & Liabilities (As Restated)

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A	Fixed Asset						
	Gross Block	527.72	593.06	666.51	1,666.78	1,753.66	1,833.55
	Less: Depreciation	259.03	280.26	308.13	347.59	475.16	576.90
	Net Block	268.69	312.80	358.38	1,319.19	1,278.50	1,256.65
	Total Fixed Assets (A)	268.69	312.80	358.38	1,319.19	1,278.50	1,256.65
B	Investment(B)	0.35	0.33	100.33	100.33	198.43	0.60
C	Current Assets, Loans & Advances:						
	Inventories	889.55	1,317.19	1,661.26	1,353.05	1,306.65	1,418.53
	Receivables	438.99	544.93	609.44	870.95	1,363.94	1,762.86
	Cash & Bank Balance	56.83	156.44	202.78	202.54	269.67	222.97
	Loans & Advances	181.73	167.11	474.12	909.63	231.99	294.81
	Deffered Tax Asset	-	3.57	4.18	-	-	-
	Total (C)	1,567.10	2,189.24	2,951.79	3,336.17	3,172.25	3,699.18
	Total Assets (A+B+C)	1,836.14	2502.36	3,410.49	4,755.69	4,649.18	4,956.42
D	Liabilities & Provisions						
	Secured Loans	452.03	328.32	554.25	371.48	28.89	33.54
	Unsecured Loans	-	300.00	150.00	268.00	4.46	-
	11% Cumm.Redeemable Preference Shares	50.00	50.00	-	-	-	-
	Deffered Tax Liability	2.68	-	-	45.99	87.89	107.18
	Current Liabilities	617.77	859.95	1,411.90	2,533.34	1,860.71	1,037.28
	Provision for Taxes	114.38	222.37	27.69	16.14	118.18	55.10
	Provision for Gratuity	-	35.67	53.11	38.13	38.43	31.92
	Other Provisions	2.75	-	15.00	15.00	75.00	-
	Total Liabilities (D)	1,239.62	1,796.30	2,211.95	3,288.08	2,213.55	1,265.02
E	Net Worth (A+B+C-D)	596.53	706.06	1,198.54	1,467.61	2,435.63	3,691.40
F	Represented by						
	Share Capital	50.00	50.00	150.00	150.00	750.00	1,125.00
	Total (A)	50.00	50.00	150.00	150.00	750.00	1,125.00
	Reserves & Surplus	546.53	656.06	1,048.54	1,317.61	1,685.63	2,571.30
	Total (B)	546.53	656.06	1,048.54	1,317.61	1,685.63	2,571.30
	Less: Miscellaneous Expenditure to the extent non written off	-	-	-	-	-	4.90
	Total (C)	-	-	-	-	-	4.90
	Net Worth (A+B-C)	596.53	706.06	1,198.54	1,467.61	2,435.63	3,691.40

Statement of Material Adjustments to Audited Balance Sheet for Restatements

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As At December 31, 2010
		2006	2007	2008	2009	2010	
	Unsecured Loans						
	Balance before adjustments	54.76	368.15	236.96	352.61	90.09	96.12
	Less: Security Advances (grouped under Current Liabilities)	(54.76)	(68.15)	(86.96)	(84.61)	(85.63)	(96.12)
	Balance after adjustments	-	300.00	150.00	268.00	4.46	-
	Current Liabilities						
	Balance before adjustments	563.01	827.46	1,378.05	2,512.04	1,813.51	973.08
	Add : Security Advances (grouped under Current Liabilities)	54.76	68.15	86.96	84.61	85.63	96.12
	Balance after adjustments	617.77	895.61	1,465.01	2,596.66	1,899.14	1,069.20

Notes on Material Regrouping in Re-stated Assets & Liabilities:

The Security Advances were grouped under “Unsecured Loans” for the years ended 31st March 2006, 2007, 2008 & 2009.

This has now been grouped under “Current Liabilities” in lines with the financial Statement of 31st March 2010 & 31st December 2010.

Annexure 2
Statement of Profit & Loss Account (As Restated)

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A	Income						
	Sales of Products Manufactured by the Company	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74
	Sales of Products Traded by the Company	-	-	-	-	-	-
	Net Sales	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74
	Other Income	5.19	3.54	11.97	11.41	10.14	85.39
	Increase/(Decrease)In Inventories	118.55	381.47	289.87	(53.87)	(26.90)	(233.92)
	Total (A)	3,189.68	4,539.31	6,308.11	6,881.80	8,678.60	8,657.21
B	Expenditure						
	Materials Consumed	1,390.46	2,212.94	2,723.40	2,806.01	4,015.03	3,614.57
	Wages and Staff Costs	462.60	647.56	809.43	909.48	929.14	880.99
	Other Manufacturing Expenses	127.73	181.62	217.06	270.34	278.09	339.46
	Administrative Expenses	121.59	149.50	255.43	333.97	279.67	241.11
	Selling and Distribution Expenses	570.27	792.26	1,556.65	1,699.54	1,551.58	1,829.43
	Total (B)	2,672.66	3,983.88	5,561.96	6,019.34	7,053.50	6,905.57
C	Profit before Interest, Depreciation and Tax	517.02	555.43	746.15	862.46	1,625.09	1,751.64
	Depreciation	16.94	21.23	27.88	39.45	130.70	102.16
D	Profit Before Interest and Tax	500.09	534.20	718.27	823.01	1,494.40	1,649.48
	Financial Charges	55.26	24.89	64.16	136.50	93.29	44.42
E	Profit After Interest and Before Tax	444.82	509.31	654.11	686.50	1,401.11	1,605.06
	Preliminary Expenses & Def. Exps.W/o	-	-	-	-	-	-
F	Profit Before Taxation	444.82	509.31	654.11	686.50	1,401.11	1,605.06
	Provision for Taxation	157.16	180.91	227.38	112.87	303.73	325.10
	Provision for Deferred Tax	(11.44)	(6.26)	(0.61)	(36.51)	41.90	19.30
	Provision for FBT	7.20	4.00	11.43	8.20	-	-
	Add/Less Adjustments of Prior Year	1.48	1.59	22.34	-	76.51	-
	Total	154.39	180.24	260.54	84.56	422.14	344.39
G	Profit After Tax but before Extraordinary Items	290.43	329.07	393.58	601.94	978.96	1,260.67
	Extraordinary Items	-	-	-	(253.82)	-	-
	Excess Provision for Gratuity	-	-	-	-	25.19	-
	Impact of Material adjustments for Restatement in corresponding years	(1.59)	(10.58)	22.34	(61.50)	51.33	-
H	Net Profit after Adjustments	288.84	318.49	415.92	286.62	1,055.48	1,260.67

	Balance b/fd from prior years	173.20	458.90	518.44	850.91	1,109.99	1,675.63
I	Profit available for Appropriation	462.04	777.39	934.35	1,137.54	2,165.47	2,936.30
	Transferred to -						
	General Reserve	-	50.00	10.00	10.00	10.00	-
	Capital Redemption Reserve	-	-	50.00	-	-	-
	Capitalised on Issue of Bonus Shares	-	-	-	-	392.38	365.00
	Interim Dividend Paid						
	Preference Shares	-	8.25	5.03	-	-	-
	Equity Shares	-	175.00	15.00	-	-	-
	Proposed Dividend Paid						
	Preference Shares	2.75	-	-	-	-	-
	Equity Shares	-	-	-	15.00	75.00	-
	Corporate Dividend Distribution Tax	0.39	25.70	3.40	2.55	12.46	-
J	Net Profit Transferred to Balance Sheet	458.90	518.44	850.91	1,109.99	1,675.63	2,571.30

Statement of Material Adjustments to Audited Profit & Loss Account for Restatements

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A	Profit for the Year/ Period	290.43	329.07	393.58	601.94	978.96	1,260.67
B	Add: (less) Adjustments for						
1	Excess/(Short) Provision for Income Tax	(1.59)	(10.58)	22.34	-	(10.17)	-
2	Excess/(Short) Provision for Deferred Tax	-	-	-	(86.68)	86.68	-
3	Provision for Gratuity	-	-	-	25.19	(25.19)	-
	Net Impact of Material Adjustment	(1.59)	(10.58)	22.34	(61.50)	51.33	-
C	Adjusted Profit for the Year/Period	288.84	318.49	415.92	540.44	1,030.29	1,260.67

Treatment of Various Items Adjusted in Restated Profit & Loss Accounts:

1. Provision for tax for earlier years and Excess/(Short) provision for income taxes

Excess or short provision for taxes have been adjusted in the year to which they relate.

2. Provision for deferred tax for earlier years and Excess/(Short) provision for deferred taxes

Excess or short provision for deferred taxes have been adjusted in the year to which they relate.

3. Provision for gratuity for earlier years and Excess/(Short) provision for gratuity

The excess provision for gratuity is considered in the year to which it relates instead of the year in which it has been written back.

Annexure 3

Significant Accounting Policies

A) Basis of preparation of financial statements:

The financial statements have been prepared and presented under the historical cost convention in accordance with the normally accepted accounting principles and the provision of the Companies Act, 1956 as followed consistently by the Company.

B) Fixed Assets and Depreciation:

a) Fixed assets are stated at acquisition cost including incidental expenses in connection thereto less depreciation in accordance with AS-10 of The Institute of Chartered Accountants of India.

b) Depreciation on fixed assets is related to the period of use of the assets and is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

c) Intangible Assets are stated at cost less accumulated amortization. Cost includes any directly attributable expenditure on making the asset ready for its intended use.

C) Investments:

Long Term Investments are carried at cost.

D) Valuation of Inventories:

Raw Materials - at lower of cost or market value

Work in Progress - at cost

Finished Goods - at lower of cost or net realisable value

E) Recognition of Income/Expenditure:

All income and expenditure items having a material bearing on the financial statements are recognised on accrual basis except disposal of scrap materials, staff leave salary, which are accounted for on cash basis.

Dividend income is recognised when right to receive payment is established.

Interest income is recognised on time proportion basis.

F) Sales:

Revenue from Sales of Goods is recognised on transfer of significant risks and rewards of ownership to the buyer which is on dispatch of goods. Amount recognised as sale is exclusive of Sales Tax/VAT and are net of Sales Returns.

G) Employee Retirement Benefits:

(1) Company's contribution to E.S.I.C., and other funds for the year are charged to Profit & Loss Account

(2) Gratuity Fund:

The company has taken an insurance policy under the Group Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability of the employees of the company. The liability of gratuity is provided for on the basis of actuarial valuation done at the end of the financial year.

(3) Leave Encashment:

In view of the Accounting Standard on "Accounting for Retirement Benefits in the Financial Statements of Employers" (AS - 15) issued by the Institute of Chartered Accountants of India, the company has made provision for Leave encashment and gratuity benefit on retirement.

H) Accounting of Foreign Exchange Transactions

In accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" issued by ICAI the transactions in foreign exchange are accounted for at the exchange rates prevailing at the date of transaction. In respect of the Assets and Liabilities remaining unsettled at the balance sheet date are translated at the closing rate. Exchange differences that arise on settlement of the monetary items or on reporting at each balance sheet date are recognized as income or expenses in the period in which they arise.

I) Provision for Taxation

Tax Expenses is aggregate of current tax and deferred tax charged, as the case may be to the Profit and Loss Account for the year in accordance with the Accounting Standard-22 "Accounting for Taxes on Income" issued by ICAI and measured at the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

(1) Current Tax:

Provision for Current Tax is computed as per Total Income returnable under the Income Tax Act, 1961 taking into account available deduction and exemptions.

(2) Deferred Tax:

Deferred income taxes are recognized for the future tax consequences attributable to timing difference between the financial statements and determination of income for their recognition for tax purposes. The effects on deferred tax liabilities of a change in tax rates is recognized in the income using the tax rates and tax laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax assets are recognized and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

J) Contingent Liabilities

Contingent Liabilities, if any, are disclosed in the Notes to Accounts. Provision have been made in the accounts in respect of those contingencies which are likely to materialize in to liabilities after the year end till the finalisation of accounts and have a material effect on the position stated in the Balance Sheet.

Annexure 4

Notes to Statement of Assets & Liabilities And Profit & Loss Account

1. Sub - division of Shares:

During the year 2009-10, the face value of the shares has been sub-divided into ₹ 10/- each. Additionally during the year 2009-10, 60,00,000 Equity Shares of ₹ 10/- each were allotted as fully paid up bonus shares by capitalisation of General Reserve, Capital Redemption Reserve & Profit & Loss balance in the ratio 4:1.

2. Stock written off (Vanity Fair):

Slow moving and Non moving stocks of finished goods and raw materials amounting to ₹ 2,53,81,621 were written off in 2008-09 and were disclosed as extra ordinary item in profit and loss account of 2008-09 Accordingly for current year opening stocks have been adjusted and disclosed net of write offs of previous year.

3. Sale of Investments

As per the contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, the Company has sold its long term unquoted investment of 1,45,570 equity shares of ₹ 100/- each fully paid up in Federal Brands Limited [Formerly known as Microtex India Limited] at historical cost price of ₹ 1,97,83,500 to Mr. L. Vinay Reddy.

4. The Company has commenced laminated fabric (Lingerie Accessories) manufacturing activity at Roorkee (Uttaranchal) from financial year ended March 31, 2010 and has claimed 80IC benefits under the Income Tax Act, 1961.

5. Segment Information

The business of the company falls under a single segment i.e. "Brassier /Panties/Lingerie Accessories". In view of the general clarification issued by the Institute of Chartered Accountants of India for companies operating in single segment, the disclosure requirement as per Accounting Standard 17 "Segment Reporting" are not applicable to the company.

6. Debit and credit balances are subject to confirmations and reconciliations if any.

7. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated if realised in the ordinary course of the business.

8. Provision for Taxation

Provision for Current Tax is computed as per Total Income returnable under the Income Tax Act, 1961 taking into account available deduction and exemptions.

The deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred Tax is recognised for all timing differences being the differences between the taxable income and the accounting income that originates in one period and are capable of reversal in one or more subsequent period(s) in compliance with Accounting Standard (AS 22) – Accounting for Taxes on Income.

9. Earnings Per Share

The Basic and Diluted Earnings Per Share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of shares

of the previous year is adjusted for issue of bonus share during the year in compliance with Accounting Standard (AS 20) - Earnings Per Share.

10. Dividend

The dividend recommended by the Board of Directors and provided for in the accounts, has been paid after approval at the company's Annual General Meeting.

11. Previous years figures have been regrouped, reclassified and rearranged wherever necessary.

Particulars	March 31,2006		March 31,2007		March 31,2008	
	Units	₹ In Lacs	Units	₹ In Lacs	Units	₹ In Lacs
12. Quantitative Details						
a) Sales						
Brassier/Panties/Lingerie Accessories Pcs.	3,699,886	3,065.94	4,819,828	4,154.31	5,916,827	6,006.27
	3,699,886	3,065.94	4,819,828	4,154.31	5,916,827	6,006.27
b) Closing Stocks						
Brassier /Panties/Lingerie Accessories Pcs.	954,653	419.82	1,729,916	1,317.19	2,053,659	944.17
	954,653	419.82	1,729,916	1,317.19	2,053,659	944.17
c) Raw Materials Consumed						
Fabric (Kgs.)	123,211	356.68	215,761	557.81	206,666	682.71
Fabric (Mtrs)	451,330	229.68	406,297	310.86	496,090	377.82
Elastics (Mtrs)	9,555,034	317.79	11,608,751	453.85	13,531,601	523.39
Lace (Mtrs)	443,066	120.04	542,849	198.66	513,501	201.53
Packing Materials	-	138.92	-	205.74	-	230.30
Thread	-	16.10	-	23.29	-	27.31
Consumable Others	-	130.74	-	198.13	-	209.58
		1,309.95		1,948.34		2,251.62
d) Finished goods purchased						
Brassier / Panties Pcs.	40,193	80.51	278,191	264.60	236,023	470.78
e) Raw Materials Consumed						
	%		%		%	
Indigenous	88	1,149.45	88	1,714.00	91	2,058.30
Imported	12	160.51	12	234.34	9	194.32
	100	1,308.95	100	1,948.34	100	2,252.62
13. Remuneration to Managers						
Salary		8.85		20.73		24.00
Contribution towards PF		0.61		1.44		1.66
Bonus		0.99		2.32		2.50
		10.46		24.49		28.16
14. Remuneration to Auditors						
Statutory Audit Fees		0.45		0.45		0.96
Tax Audit Fees		0.11		0.11		0.28
Arrears of Statutory Audit Fees for 2008-09		-		-		-
		0.56		0.56		1.24

Particulars	March 31,2006		March 31,2007		March 31,2008	
	Units	₹ In Lacs	Units	₹ In Lacs	Units	₹ In Lacs
15. F.O.B. Value of Exports		73.32		42.73		71.48
16. C.I.F. Value of Imports						
Raw Materials		176.05		259.78		192.35
Finished Goods		-		146.13		71.32

Particulars	March 31,2009		March 31,2010		December 31,2010	
	Units	₹ In Lacs	Units	₹ In Lacs	Units	₹ In Lacs
12. Quantitative Details						
a) Sales						
Brassier/Panties/Lingerie Accessories Pcs.	6,609,600	6,924.26	7,135,350	8,695.35	7,358,821	8,805.74
	6,609,600	6,924.26	7,135,350	8,695.35	7,358,821	8,805.74
b) Closing Stocks						
Brassier/Panties/Lingerie Accessories Pcs.	2,074,071	687.49	1,679,607	670.50	1,411,378	409.06
	2,074,071	687.49	1,679,607	670.50	1,411,378	409.06
c) Raw Materials Consumed						
Fabric (Kgs.)	236,861	858.21	231,983	1,132.56	274,569	1,182.32
Fabric (Mtrs)	316,229	161.01	1,142,054	769.31	818,032	848.68
Elastics (Mtrs)	14,563,293	396.30	13,553,030	411.99	13,566,083	428.88
Lace (Mtrs)	458,978	241.50	503,721	174.02	364,082	77.96
Packing Materials	-	266.46	-	252.15	-	275.43
Thread	-	50.84	-	29.33	-	26.10
Consumable Others	-	217.76	-	215.02	-	250.97
		2,192.08		2,984.39		3,090.35
d) Finished goods purchased						
Brassier / Panties Pcs.	263,825	613.93	283,454	1,030.63	571,484	524.22
e) Raw Materials Consumed						
	%		%		%	
Indigenous	92	2,019.91	94	2,805.21	96	2,975.33
Imported	8	172.17	6	179.19	4	115.02
	100	2,192.08	100	2,984.39	100	3,090.35
13. Remuneration to Managers						
Salary		41.84		44.38		34.34
Contribution towards PF		2.86		2.86		2.32
Bonus		7.90		5.07		2.17
		52.59		52.31		38.84
14. Remuneration to Auditors						
Statutory Audit Fees		0.77		1.38		1.38
Tax Audit Fees		0.22		0.55		0.55
Arrears of Statutory Audit Fees for 2008-09		-		1.21		-

Particulars	March 31,2009		March 31,2010		December 31,2010	
	Units	₹ In Lacs	Units	₹ In Lacs	Units	₹ In Lacs
		0.99		3.14		1.93
15. F.O.B. Value of Exports		19.23		12.62		-
16. C.I.F. Value of Imports						
Raw Materials		203.38		204.09		143.63
Finished Goods		124.57		-		-

17. Deferred Tax Assets / Liabilities

The Deferred Tax Liabilities recognised in Profit and Loss A/c

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Difference between the Written Down Value of assets as per books of accounts and Income Tax Act, 1961	1.89	12.13	13.30	57.28	43.73	18.97
Deferred Expenses Written off	-	-	-	-	(1.83)	0.33
Expenses allowed for tax purpose on payment basis	0.79	(9.78)	(17.48)	(24.95)	-	-
(Asset) / Liability	2.68	2.35	(4.18)	32.33	41.90	19.30

18. Accounting Standard 15 - Employee Benefits

(₹ In Lacs)

Gratuity Benefits	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Current service cost	-	-	-	-	17.70	-
Interest cost	-	-	-	-	4.86	-
Expected return on plan assets	-	-	-	-	(2.41)	-
Net Actuarial (gain)/ loss to be recognized	-	-	-	-	(4.85)	-
Total expense recognized in the statement of Profit & Loss Account	-	-	-	-	15.30	-
Actual Contribution & Benefit Payments						
Actual Benefit Payments	-	-	-	-	-	-
Actual Contribution	-	-	-	-	-	-
Net Asset / (Liability) recognized in Balance Sheet						
Liability at the end of the year	-	-	-	-	69.10	-
Fair value of plan assets at the end of the year	-	-	-	-	30.67	-
(Net Asset)/ Liability recognized in the Balance Sheet	-	-	-	-	38.43	-
Change in Defined Benefit Obligations (DBO)						
Present Value of Defined Benefit Obligation at beginning of Year	-	-	-	-	60.69	-

Gratuity Benefits	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Interest Cost	-	-	-	-	4.86	-
Current Service Cost	-	-	-	-	17.70	-
Benefits Paid	-	-	-	-	(9.30)	-
Actuarial (Gain)/ Losses on Obligation	-	-	-	-	(4.85)	-
Present Value of Defined Benefit Obligation at the End of Year	-	-	-	-	69.10	-

Change in Fair Value of Plan Assets during the year

Planned assets at Beginning of the year	-	-	-	-	24.10	-
Expected return on planned assets	-	-	-	-	2.41	-
Contributions	-	-	-	-	13.47	-
Benefit paid	-	-	-	-	(9.30)	-
Actuarial gain /(loss) on plan assets	-	-	-	-	-	-
Fair value of plan assets at the end of the year	-	-	-	-	30.67	-

Defined Benefit Plan – Acturial Assumptions

Discount rate	8%	8%	8%	8%	8%	8%
Salary Escalation Rate	7%	7%	7%	7%	7%	7%
Rate of return on plan assets	10%	10%	10%	10%	10%	10%

Note: The above information for the period ended March 31, 2010 is obtained from LIC of India based on the Actuarial Valuation; however, the figures for the period ended March 31, 2006, 2007, 2008, 2009 and December 31, 2010 are not available.

19.Earning Per Share	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
1. Basic and Diluted Earnings Per Share before Exceptional items (Face Value - ₹ 10/- per share)	2.79	3.02	4.00	4.80	9.38	11.21
2. Basic and Diluted Earnings Per Share after Exceptional items (Face Value - ₹ 10/- per share)	2.79	3.02	4.00	2.55	9.38	11.21
3. Profit After Tax ,Preference Dividend (including Tax thereon) and Prior Period items but before Extraordinary Items as per Profit & Loss A/c (₹ In Lacs)	285.71	309.08	410.03	540.44	1,055.48	1,260.67
4. Profit After Tax, Preference Dividend (including Tax thereon), Prior Period items and Extraordinary Items as per profit& Loss A/c (₹ In Lacs)	285.71	309.08	410.03	286.62	1,055.48	1,260.67
5. Weighted Average number of equity shares outstanding	10,250,000	10,250,000	10,250,000	11,250,000	11,250,000	11,250,000

Weighted Average number of

19.Earning Per Share	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
equity shares outstanding						
Number of Equity Shares at the Beginning of the Year	500,000	500,000	500,000	1,500,000	1,500,000	1,500,000
Add : Bonus Shares issued	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000
	10,250,000	10,250,000	10,250,000	11,250,000	11,250,000	11,250,000

Note: Since the bonus shares are issued without consideration, the issue is treated as if it had occurred prior to the beginning of the year.

Effect of 60,00,000 Equity Shares issued as fully paid Bonus Shares on February 25, 2010 and 37,50,000 Equity shares on September 20, 2010 (Totaling 97,50,000 Equity Shares) is given for calculation of EPS on all reported years Number of Shares outstanding as on March 31, 2008 exclude 10,00,000 Equity Shares issued on March 31, 2008.

The face value of the equity Shares was ₹ 100 for the year ended March 31, 2006, 2007, 2008 and 2009. However w.e.f. March 31, 2010 onwards equity shares of ₹ 100 each were sub divided into 10 Equity Shares of ₹ 10 each. Hence for restatement purpose, face value of Equity Shares of ₹ 10 each is considered.

20. Disclosure in Pursuant to Accounting Standard (AS 29) - Provisions, Contingent Liabilities & Contingent Assets, in relation to the provision made for the year ended March 31, 2010.	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Corporate Guarantee Given for Group Company (Hype Integracomm Private Limited)	-	-	-	-	150.00	-
Demand Notice from Customs	-	-	-	-	-	47.20

Annexure 5
Changes in Significant Accounting Policies

There is no change in the Accounting Policies of the Company in any of the Financial Years.

Annexure 6
Qualifications in the Auditors Report

There is no Qualification in the Auditors Report in any of the Financial Years.

Annexure 7
Cash Flow Statement

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
A	Cash Flow From Operating Activities						
	Profit before tax, as restated	444.82	509.31	654.11	432.69	1,426.29	1,605.06
	Adjustments for						
	1) Depreciation	16.94	21.23	27.88	39.45	130.70	102.16
	2) Financial Expenses	55.26	24.89	64.16	136.50	93.29	44.42
	3) (Profit)/Loss on Sale of Assets (Net)	0.87	-	-	-	(0.22)	0.30
	4) Preliminary Expenses w/off	1.03	-	-	-	-	-
	5) Interest Received	(0.57)	(0.40)	(4.76)	(5.67)	(2.34)	(0.01)
	6) Exchange Gain – Net						(85.02)
	7) Dividend Received	(0.01)	(0.03)	(0.03)	(0.03)	(0.03)	-
	Operating Income before Working Capital Changes	518.34	555.01	741.35	602.95	1,647.69	1,666.91
	Adjustments For:						
	(Increase) / Decrease in Trade Recievables	(228.67)	(105.94)	(64.51)	(261.51)	(492.99)	(398.92)
	(Increase) / Decrease in Inventories	10.67	(427.63)	(344.08)	308.21	46.40	(111.88)
	(Increase) / Decrease in Loans and Advances	(105.56)	14.62	(334.59)	(435.50)	677.64	(62.82)
	Increase / (Decrease) in Trade Payables	133.38	39.28	136.97	1,103.33	(131.49)	39.80
	Increase / (Decrease) in Other Liabilities	22.47	54.92	615.68	31.05	(566.03)	88.06
	Cash Generated From Operations	350.63	130.25	750.82	1,348.53	1,181.21	1,221.15
	Direct Taxes (Net)	(53.43)	(88.71)	(408.46)	(132.62)	(211.53)	(375.72)
	Net Cash Flow from Operating Activities	297.20	41.55	342.36	1,215.91	969.69	845.42
B	Cash Flow From Investments						
	Purchase of Fixed Assets & CWIP	(66.87)	(65.34)	(73.45)	(1,000.27)	(90.41)	(1,049.12)
	Sale of Fixed Assets	0.81	-	-	-	0.62	0.22
	Miscellaneous Expenditure						(4.90)
	Sales/(Purchases) of Investments	(0.03)	0.03	(100.00)	-	(98.11)	197.84
	Maturity/(Purchases) of Fixed Deposits	(9.42)	1.72	(3.50)	(24.50)	24.50	-
	Interest Received	0.57	0.40	4.76	5.67	2.34	0.01
	Exchange Gain-Net						85.02
	Dividend Received	0.01	0.03	0.03	0.03	0.03	-
	Net Cash used from Investing Activities	(74.94)	(63.17)	(172.16)	(1,019.07)	(161.02)	(770.93)
C	Cash Flow From Financing Activities						
	Issue of Equity Shares	-	-	100.00	-	-	-
	Redemption of Preference Shares	-	-	(50.00)	-	-	-
	Changes in the Borrowings						

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
	Loans Receipt (Net)	(95.87)	176.29	75.93	(67.13)	(606.13)	10.69
	Interest Paid	(55.26)	(24.89)	(64.16)	(136.50)	(93.29)	(44.42)
	Unclaimed Dividend Paid	-	-	(183.25)	(0.39)	-	-
	Dividends Tax Paid	(7.78)	(3.50)	(0.86)	(2.55)	(2.63)	(12.46)
	Dividend Paid	(55.50)	(24.95)	(5.03)	(15.00)	(15.00)	(75.00)
	Net Cash Flow from Financing Activities	(214.42)	122.95	(127.37)	(221.57)	(717.04)	(121.19)
	Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	7.84	101.33	42.84	(24.74)	91.62	(46.69)
	Cash and Cash Equivalent at Beginning of the Year	37.28	45.11	146.44	189.28	164.54	256.17
	Cash and Cash Equivalent at End of the Year	45.11	146.44	189.28	164.54	256.17	209.47
	Cash and Cash Equivalents comprises						
	Cash and Cheques on hand	2.98	2.26	14.95	30.88	1.59	7.68
	Balances with Scheduled Banks	53.86	154.18	187.83	171.66	268.08	215.29
	Cash and Bank Balances	56.83	156.44	202.78	202.54	269.67	222.97
	Less:-Fixed Deposits not considered as cash equivalents	11.72	10.00	13.50	38.00	13.50	13.50
	Cash & Cash Equivalents in Cash Flow Statement	45.11	146.44	189.28	164.54	256.17	209.47

Annexure 8 Accounting Ratios

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
	Net Profit after Tax (₹ In lacs)	288.84	318.49	415.92	286.62	1,055.48	1,260.67
	Less: Preference Dividend & Tax there on (₹ In lacs)	3.14	9.41	5.89	-	-	-
	Net Profit after tax available for Equity Shareholders (₹ In lacs)	285.71	309.08	410.03	286.62	1,055.48	1,260.67
	Net Worth (₹ In lacs)	596.53	706.06	1,198.54	1,467.61	2,435.63	3,691.40
	Return on Net Worth (%)	47.89	43.78	34.21	19.53	43.33	34.15
	Equity Shares at the end of year (Face Value ₹10/-)*	500,000	500,000	1,500,000	1,500,000	7,500,000	11,250,000
	Weighted Average No. of Equity Shares	10,250,000	10,250,000	10,250,000	11,250,000	11,250,000	11,250,000
	Basic Earnings Per Share	2.79	3.02	4.00	2.55	9.38	11.21
	Net Asset Value Per Share	5.82	6.89	11.69	13.05	21.65	32.81

Notes:

1. Net Worth = Equity Share Capital plus Reserves and Surplus less Miscellaneous Expenditure to the extent not written off.
2. Net Asset = Equity Share Capital plus Reserves and Surplus less Miscellaneous Expenditure to the extent not written off.
3. Earnings Per Share = Net Profit after adjustments less Preference Dividend(including tax thereon)/ Weighted Number of Equity shares at the end of the year.
4. The Net Worth of the Company and the Net Asset Value per Share (based on actual number of shares outstanding) as adjusted for Pre-IPO placement for ₹ 2,000 Lacs is ₹ 5691.40 lacs and ₹ 46.46 respectively.
5. Bonus shares in the ratio of 4:1 was issued during the year ended March 31, 2010 by capitalising of Capital Redemption Reserve, General Reserve & Profit Loss Account balances.
6. Bonus Shares in the Ratio of 1:2 were issued on 20.09.2010 by capitalizing of General Reserve & Profit & Loss Account balances.
7. Effect of 60,00,000 Equity Shares issued as fully paid Bonus Shares on February 25,2010 and 37,50,000 Equity shares on September 20, 2010.(Totaling 97,50,000 Equity Shares) is given for calculation of EPS on all reported years Number of Shares outstanding as on March 31, 2008 exclude 10,00,000 Equity Shares issued on March 31, 2008.

* The face value of the equity shares was ₹ 100/- for year ended March 31, 2006, 2007, 2008 & 2009. However from w.e.f. March 31, 2010 onwards Equity Shares of ₹ 100/- each were sub divided into 10 Equity Shares of ₹ 10/- each. Hence for restatement purpose, Face Value of Equity Shares of ₹ 10/- is considered.

Annexure 9
Unsecured Loans

(₹ In Lacs)

Sr. No.	Particulars	As at March 31,					As at December 31, 2010
		2006	2007	2008	2009	2010	
1	From Group / Associate Companies / Directors	-	-	-	268.00	4.46	-
2	From Others	-	300.00	150.00	-	-	-
	Total	-	300.00	150.00	268.00	4.46	-
Above amount includes transactions with following related parties:							
1	L Prashant Reddy	-	-	-	68.00	-	-
2	L Shobha Reddy	-	-	-	200.00	-	-
3	L Jaipal Reddy	-	-	-	-	4.46	-
	Total	-	-	-	268.00	4.46	-

Notes:

No interest is payable / paid on the Loans mentioned above. Unsecured Loans are repayable on demand and consequently there is no repayment schedule.

Annexure 10
Capitalization Statement

Particulars	Pre Issue as at December 31, 2010 (₹ In Lacs)	Post Issue (Refer Note No. 1)
Debt		
Secured		
Short term debt	33.54	[●]
Long term debt	-	[●]
Unsecured		
Short term debt	-	[●]
Total Debt	33.54	[●]
Shareholders Funds		
Equity Share Capital	1,125.00	[●]
Reserve & Surplus	2,571.30	[●]
Total Shareholder's Funds	3,696.30	[●]
Long Term debt / Shareholders fund	-	
Total Debt / Shareholder's Funds	0.01	[●]

Notes:

1. The Post-issue capitalization will be computed on the conclusion of the book building process.
2. Working Capital Limits are considered as Short term debts.
3. The figures included above are as per the restated statement of assets and liabilities and restated statement of profit and loss.
4. Post December 31, 2010, the company has made fresh allotment of equity shares amounting to ₹ 2,000 lacs resulting in increase in share capital from ₹ 1,125 lacs to ₹ 1,225 lacs and increase in Reserves & Surplus from ₹ 2,571.30 lacs to ₹ 4,471.30 lacs.

Annexure 11
Statement of Tax Shelter

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Profit Before Tax	444.82	509.31	654.11	940.32	1,401.11	1,605.06
Tax Rates						
Normal Tax Rate	33.66%	33.66%	33.99%	33.99%	33.99%	32.25%
Minimum Alternative Tax Rate	11.22%	11.22%	11.33%	11.33%	17.00%	19.35%
Notional Tax at Normal Rates (A)	149.73	171.43	222.33	319.61	476.24	517.63
Permanent Differences						
Deductions	-	-	-	-	(417.23)	(537.17)
Total (B)	-	-	-	-	(417.23)	(537.17)
Timing Differences						
Depreciation as per Books	16.94	21.23	27.88	39.45	130.70	102.16
Depreciation as per Income Tax	45.82	22.12	48.95	168.85	266.62	160.99
Difference between Tax Depreciation and Book Depreciation	(28.88)	(0.89)	(21.07)	(129.40)	(135.92)	(58.83)
Other Adjustments	1.03	29.04	22.88	19.72	(13.88)	(1.01)
Total (C)	(27.85)	28.16	1.81	(109.68)	(149.80)	(59.84)
Net Adjustments (B+C)	(27.85)	28.16	1.81	(109.68)	(567.02)	(597.01)
Tax Expense/(Savings) thereon (D)	(9.37)	9.48	0.62	(37.28)	(192.73)	(192.54)
Total Taxation (E= A+D)	140.35	180.91	222.95	282.33	283.50	325.10
Brought forward losses set off	-	-	-	-	-	-
Tax Effect on the above (F)	-	-	-	-	-	-
Net tax for the year/period (E-F)	140.35	180.91	222.95	282.33	283.50	325.10
Tax payable as per MAT	49.91	57.14	74.11	106.54	238.12	310.58
Tax expense recognized	140.35	180.91	222.95	109.62	283.50	325.10
Tax as per return of Income	140.35	180.91	222.95	109.62	283.50	

Note:

The statement of tax shelter has been prepared based on returns of income filed by the Company with the Income tax authorities, except for the period ended December 31, 2010 and not based on restated profits as per Annexure I. The statement of tax shelter for the period ended December 31, 2010 is based on computation of tax under the Income Tax Act, 1961 since the return of income is yet to be filed. The effect of assessment / appellate orders have not been considered for the above statement.

**Annexure 12
Secured Loan**

(₹ In lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Working Capital/ Cash Credit from Banks						
Corporation Bank	452.03	328.32	554.25	371.48	-	3.82
Bank of Baroda					28.89	29.72
Total	452.03	328.32	554.25	371.48	28.89	33.54

Principle Terms and Conditions of Outstanding secured Loans:

(₹ In Lacs)

Sr. No.	Name of the Lender	Facility	Sanctioned Amount	Amount Outstanding as on December 31, 2010	Rate of Interest % p.a.	Repayment Schedule	Securities Offered
1.	Corporation Bank	Cash Credit	800.00	3.82	12.25%	On Demand	Secured by hypothecation by way of first charge on all the Current assets of the company, present or future, including stock of goods, book debts and all other movable assets including document of title of goods, on pari-passu basis and personal guarantee of Mr Venay Reddy and Mr Jaipal Reddy.
2.	Bank of Baroda	Cash Credit	550.00	29.72	13.00%	On Demand	
3.	Bank of Baroda	Term Loan	1,632.55	-	11.00%	72 months including initial moratorium period of 12 months.	

**Annexure 13
Investments**

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Quoted – Non Trade Shares						
Long Term Ordinary Share of Corporation Bank Ltd.	0.16	0.16	0.16	0.16	0.16	0.16
Unquoted - Non Trade Shares						
Federal Brands Limited [Formerly known as Microtex India Limited]	0.01	0.01	100.01	100.01	197.84	-
Other Investments						
In Govt. Securities - National Saving Certificate	0.18	0.16	0.16	0.16	0.44	0.44
Total	0.35	0.33	100.33	100.33	198.43	0.60

**Annexure 14
Sundry Debtors**

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Considered Good						
Outstanding for more than Six Months	98.53	120.63	185.42	160.44	87.69	119.30
Other Debts	340.45	424.30	424.02	710.51	1,276.25	1,643.56
Considered Doubtful						
Total	438.99	544.93	609.44	870.95	1,363.94	1,762.86

Note:

There are no beneficiaries of debtors of the company, who are in any way related to the promoter/ director of the company as on December 31, 2010.

List of Top 10 Customers on the basis of the amount outstanding as on December 31, 2010:

(₹ In Lacs)

Sr. No.	Name of the Customer	Amount
1	Life Style International (P) Ltd.	91.55
2	Supreme Enterprises	61.22
3	Shoppers' Stop Ltd.	59.56
4	Rikab Associates	27.25
5	Naidu Hall Family Stores	25.27
6	Madan Enterprises	22.56
7	Shriya Marketers	21.84
8	Mangalam Creations	19.97
9	Amala Enterprises.	16.63
10	Belli Fabrics	15.29

Note:

None of the above customers is related to the directors/promoters of the Company.

Annexure 15
Loans & Advances

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Advances recoverable in Cash or in Kind	147.39	98.66	387.28	827.63	149.21	200.00
Deposits	34.34	68.45	86.84	81.99	82.78	94.82
Total	181.73	167.11	474.12	909.63	231.99	294.81

Related Party transactions in above:

(₹ In

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Fedral Brands Limited (Formerly Microtex India Limited)	-	-	149.42	262.54	-	-
Hype Integracomm Private Limited (Formerly known as Padakkal Holdings Private Limited)	-	14.06	179.72	524.47	-	-
Total	-	14.06	179.72	524.47	-	-

Note:

1) Other than as mentioned above, there are no beneficiaries of loans & advances of the company, who are in any way related to the promoter/ director of the company as on December 31, 2010.

2) Loans & Advances as on December 31, 2010 does not include any advance paid to suppliers.

**Annexure 16
Other Income**

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Recurring Income						
Interest Received	0.57	0.40	4.76	5.67	2.34	0.01
Duty Drawback	4.55	2.18	5.67	3.59	0.36	-
Dividend	0.01	0.03	0.03	0.03	0.03	-
Other Receipts	0.06	0.74	0.37	2.12	0.33	0.36
Non-Recurring Income						
Gain from Foreign Exchange Fluctuations	-	0.19	1.12	-	6.86	85.02
Profit on Sale of Assets	-	-	-	-	0.22	-
Total	5.19	3.54	11.97	11.41	10.14	85.39

Annexure 17
Statement of Related Party Transactions

In accordance with the requirement of Accounting Standard (AS 18) Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management are:

Sr. No.	Associate Companies	
1	Federal Brands Limited [Formerly Microtex India Limited]	
2	Vinay Hosiery Private Limited	
3	Hype Integracomm Private Limited	
4	Strategy Games Private Limited [Blue Chip Fashions Private Limited]	
5	Holstein Ecofoods Private Limited	
6	Reddy & Pathare Elastics Private Limited	
7	Belleni Fashions Private Limited	
8	La Reine Fashions Private Limited	
9	Lovable Lifestyles Private Limited	
10	Tecknit Industries - Partnership Firm	
11	Aadhunik Vitarak - Partnership Firm	
Sr. No.	Key Managerial Personnel	
1	Mr. G Ashok Reddy	Director
2	Mr. L Vinay Reddy	Director
3	Mr. L Jaipal Reddy	Director
Sr. No.	Relatives of Key Managerial Personnel	Relationship
1	Mrs. G. Veena Reddy	Wife of Mr. G. Ashok Reddy
2	Mrs. G. Vimala Reddy	Mother of Mr. G. Ashok Reddy
3	Mr. G. Tarun Reddy	Son of Mr. G. Ashok Reddy
4	Mrs. T. Indira	Sister of Mr. G. Ashok Reddy
5	Mrs. L. Vijay Laxmi	Sister of Mr. G. Ashok Reddy
6	Mrs. Taruna Vinay Reddy	Wife of Mr. L. Vinay Reddy
7	Master Rudraveer Reddy	Son of Mr. L. Vinay Reddy
8	Master Kshatray Krishn Reddy	Son of Mr. L. Vinay Reddy
9	Miss Varanyasri Reddy	Daughter of Mr. L. Vinay Reddy
10	Mrs. L. Shoba Reddy	Wife of Mr. L. Jaipal Reddy
11	Mrs. Bachamma Reddy	Mother of Mr. L. Jaipal Reddy
12	Mr. L. Prashant Reddy	Son of Mr. L. Jaipal Reddy
13	Mrs. Veena Reddy	Daughter of Mr. L. Jaipal Reddy
Sr. No.	Companies / Firms in which Key Managerial Personnel exercise significance influence or control	
1	Federal Brands Limited [Formerly Microtex India Limited]	
2	Vinay Hosiery Private Limited	
3	Hype Integracomm Private Limited	
4	Strategy Games Private Limited [Formerly Blue Chip Fashions Private Limited]	
5	Holstein Ecofoods Private Limited	
6	Reddy & Pathare Elastics Private Limited	
7	Belleni Fashions Private Limited	
8	La Reine Fashions Private Limited	
9	Lovable Lifestyles Private Limited	
10	Tecknit Industries - Partnership Firm	
11	Aadhunik Vitarak - Partnership Firm	

Information on related party as required by Accounting Standard (AS-18) on Related Party Disclosures

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
1. Rent Paid						
Mr. G Ashok Reddy	0.96	1.32	1.40	1.61	1.65	1.24
Teknit Industries					0.76	0.81
2. Additional Advance Given:	-	14.06	321.37	823.12	1,084.00	-
Federal Brands Limited (Formerly Microtex India Limited)	-	-	155.13	418.37	987.60	-
Hype Integracomm Private Limited	-	14.06	166.24	404.75	96.39	-
3. Repayments of Advance in Cash or Kind:	-	-	6.29	365.25	1,871.01	-
Federal Brands Limited (Formerly Microtex India Limited)	-	-	5.71	305.25	1,250.14	-
Hype Integracomm Private Limited	-	-	0.58	60.00	620.86	-
4. Loan received from Shareholders	-	5.00	-	340.00	211.46	-
Mr. L. Jaipal Reddy	-	-	-	-	19.46	-
Mr. L. Prashant Reddy	-	-	-	120.00	37.00	-
Mrs. L. Shoba Reddy	-	-	-	200.00	60.00	-
Mr. L. Vinay Reddy	-	-	-	20.00	95.00	-
Mrs. L Buchamma Reddy	-	2.00	-	-	-	-
Mr. L Venkat Reddy	-	-	-	-	-	-
Reddy & Pathare Elastics Private Limited	-	3.00	-	-	-	-
5. Loan repaid to Shareholders	59.00	5.00	-	72.00	475.00	4.46
Mr. L. Jaipal Reddy	17.00	-	-	-	15.00	4.46
Mr. L. Prashant Reddy	20.00	-	-	52.00	105.00	-
Mrs. L. Shoba Reddy	10.00	-	-	-	260.00	-
Mr. L. Vinay Reddy	-	-	-	20.00	95.00	-
Mrs. L Buchamma Reddy	6.00	2.00	-	-	-	-
Mr. L Venkat Reddy	6.00	-	-	-	-	-
Reddy & Pathare Elastics Private Limited	-	3.00	-	-	-	-
6. Remuneration Paid	10.46	24.49	28.16	52.59	52.31	38.84
Mr. G Ashok Reddy	-	-	-	23.89	23.60	17.31
Mr. L Vinay Reddy	10.46	24.49	28.16	28.70	28.70	21.53
Mr. L. Jaipal Reddy	-	-	-	-	-	-
7. Sale of Investments						
Mr. L Vinay Reddy	-	-	-	-	-	197.84
8. Dividend Paid – Promoters	55.50	186.00	5.03	15.00	15.00	-
9. Bonus Shares Issued to Promoters	-	-	-	-	600.00	375.00

Outstanding Balance As on 31st March, 2010						
Amount Receivables	-	14.06	329.14	787.01	-	-
Fedral Brands Limited [Formerly Microtex India Limited]	-	-	149.42	262.54	-	-
Hype Integracomm Private Limited	-	14.06	179.72	524.47	-	-
Amount Payables	-	-	-	268.00	4.46	-
Mr. L. Jaipal Reddy	-	-	-	-	4.46	-
Mr. L. Prashant Reddy	-	-	-	68.00	-	-
Mrs. L. Shoba Reddy	-	-	-	200.00	-	-
Mr. L. Vinay Reddy	-	-	-	-	-	-
Mrs. L. Buchamma Reddy	-	-	-	-	-	-
Mr. L. Venkat Reddy	-	-	-	-	-	-
Reddy & Pathare Elastics Private Limited	-	-	-	-	-	-

Annexure 18
Statement of Operating Income

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Sales of Manufactured Goods	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74
Less : Trade Discounts	-	-	-	-	-	-
Less : Excise Duty	-	-	-	-	-	-
Net Sales of Manufactured Goods (A)	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74
Sales of Traded Goods	-	-	-	-	-	-
Less : Trade Discounts	-	-	-	-	-	-
Net Sales of Traded Goods (B)	-	-	-	-	-	-
Total Sales (A+B)	3,065.94	4,154.31	6,006.27	6,924.26	8,695.35	8,805.74

Annexure 19
Statement of Cost of Goods Sold

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Raw Material Consumed/ Traded	1,309.95	1,948.34	2,252.62	2,192.08	2,984.39	3,090.35
Manufacturing and Trading Expenses	208.24	446.23	687.83	884.27	1,308.72	863.68
Stock Variances	(118.55)	(381.47)	(289.87)	53.87	26.90	233.92
Total Cost of Goods Sold	1,399.65	2,013.10	2,650.59	3,130.23	4,320.01	4,187.96

Annexure 20
Statement of Rates & Amounts of Dividends

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Equity Share Capital						
Number of Equity Shares of ₹10/- each*	500,000	500,000	1,500,000	1,500,000	7,500,000	11,250,000
Rate of Dividend (%)	-	350.00	10.00	10.00	10.00	-
Dividend Amount (₹ In lacs)	-	175.00	15.00	15.00	75.00	-
Tax on Dividend (₹ In Lacs)	-	24.54	2.55	2.55	12.46	-
11% Cum Preference Share Capital						
Number of Preference Shares of ₹100/- each	50,000	50,000	-	-	-	-
Rate of Dividend (%)**	11.00	11.00	11.00	-	-	-
Dividend Amount (₹ In lacs)	2.75	8.25	5.03	-	-	-
Tax on Dividend (₹ In Lacs)	0.39	1.16	0.86	-	-	-

Note:

*The face value of the equity shares was ₹ 100/- for year ended March 31, 2006, 2007, 2008 and 2009. However from w.e.f March 31, 2010 onwards Equity Shares of ₹ 100/- each were sub divided into 10 Equity Shares of ₹ 10/- each. Hence for restatement purpose, Face Value of Equity Shares of ₹ 10/- is considered.

** The Preference Dividend for the year ended March 31, 2006 was paid for 6 months, for March 31, 2007 was paid for 18 months and for March 31, 2008 was paid for period proportionate upto the date of redemption.

Annexure 21
Reserves and Share Premium

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Reserves and Surplus						
General Reserve	87.62	137.62	147.62	157.62	10.00	-
Share Premium	-	-	-	-	-	-
Capital Redemption Reserve	-	-	50.00	50.00	-	-
Profit & Loss Account Balance	458.90	518.44	850.91	1,109.99	1,675.63	2,571.30
Total	546.53	656.06	1,048.54	1,317.61	1,685.63	2,571.30

Annexure 22
Statement of Contingent Liabilities

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
Corporate Guarantee Given for Group Company (Hype Integracomm Private Limited)	-	-	-	-	150.00	-
Demand Notice from Custom	-	-	-	-	-	47.20
Total	-	-	-	-	150.00	47.20

Annexure 23
Statement of Current Liabilities

(₹ In Lacs)

Particulars	As at March 31,					As at December 31, 2010
	2006	2007	2008	2009	2010	
i. Sundry Creditors	481.69	507.58	625.74	1,729.07	1,597.46	668.98
iii. Security Advances	54.76	68.15	86.96	84.61	85.63	96.12
ii Short Term Loan From Bank	-	-	550.69	550.00	-	-
Iv Other Liabilities						
Sales Tax	5.39	7.09	5.35	5.46	2.62	24.94
Entry Tax	0.73	1.31	0.01	0.00	0.65	0.04
Profession Tax	0.13	0.20	0.38	0.22	0.09	0.19
Tax Deducted at Source	1.50	3.99	7.57	4.29	4.36	3.30
PF Payable	4.65	8.32	7.81	7.51	7.34	14.56
E.S.I.C. Payable	1.02	1.91	1.82	1.50	1.70	3.80
Salary	15.45	4.70	17.61	19.08	22.67	41.54
Bonus	44.87	58.20	81.65	100.69	104.87	110.39
Provision for Income Tax	0.32	-	-	-	-	-
Leave Encashment	1.09	6.96	12.24	17.32	23.44	28.16
Professional charges payable	0.05	0.02	3.60	0.90	-	-
Unpaid Dividend (Including Tax on dividend)	-	183.64	0.39	-	-	-
Others	6.11	7.89	10.08	12.69	9.86	45.25
Total	617.77	859.95	1,411.90	2,533.34	1,860.71	1,037.28

GROUP ENTITIES

The following are the list of entities forming part of our Group Entities:

Indian Entities

Companies

- (a) Federal Brands Limited
- (b) Hype Integracomm Private Limited
- (c) La Reine Fashions Private Limited
- (d) Holstein Ecofoods Private Limited
- (e) Strategy Games Private Limited
- (f) Bellini Fashions Private Limited
- (g) Lovable Lifestyles Private Limited
- (h) Vinay Hosiery Private Limited
- (i) Reddy and Pathare Elastics Private Limited

Partnerships

- (a) Techknit Industries
- (b) Aadhunik Vitharak

The details of our Group Entities are as follows:

Companies

Federal Brands Limited

Federal Brands Limited, a company incorporated on December 30, 1982, under the laws of India, is engaged in the business of production, distribution, marketing, export and sale of products in the areas of hosiery, elastic cloth, elastic tapes, knitted cloth, yarn spinning and dyeing and bleaching, textile and synthetic products inclusive of elastics, underwears, brassieres etc, and other value added branded products in different sectors for the purpose of developing, launching, acquiring, production, distribution, marketing, maintaining, export, sale and dealing in brands of various products and carry out all other activities relating to business of branded goods and services in any sector.

The authorised share capital of Federal Brands Limited is ₹ 16,00,00,000 divided into 16,00,000 equity shares of ₹ 100 each and the paid-up capital of Federal Brands Limited is ₹ 9,45,50,000 divided into 9,45,500 equity shares of ₹ 100 each. The shareholding pattern of Federal Brands Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	3,03,300	32.08%
L. Jaipal Reddy (HUF)	2,25,000	23.80%
Mr. L. Prashant Reddy	1,53,000	16.18%
Mrs. L. Shobha Reddy	1,49,000	15.76%
L. Vinay Reddy (HUF)	1,15,000	12.16%
Mr. G. Ashok Reddy	100	0.01%
Mrs. Taruna V. Reddy	100	0.01%
Total	9,45,500	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 100 per share)	945.50	900.00	900.00
Sales and other income	7,055.40	7,530.77	8,580.43
Profit / (Loss) after tax	51.11	66.68	153.79
Reserves and surplus	1,124.88	1,021.45	1,485.37
Earning per share (₹)	5.41	7.41	17.09
BV per share (₹)	218.97	213.49	265.04

Hype Integracomm Private Limited

Hype Integracomm Private Limited, a company incorporated on December 26, 1995, under the laws of India, is engaged in the business of advertisers, advertising agents, consultants, specialists and contractors in all its branches, both in India and elsewhere, including advertising in its various forms in every media and to acquire an undertake the whole or any part of the business, property and liabilities of any person, firm, company, association or body carrying on such business.

The authorised share capital of Hype Integracomm Private Limited is ₹ 1,00,00,000 divided into 10,00,000 equity shares of ₹ 10 each and the paid-up capital of Hype Integracomm Private Limited is ₹ 25,00,000 divided into 2,50,000 equity shares of ₹ 10 each. The shareholding pattern of Hype Integracomm Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	45,000	18.00%
Mr. L. Jaipal Reddy	19,600	7.84%
Mr. L. Prashant Reddy	20,000	8.00%
Mrs. L. Shobha Reddy	45,000	18.00%
Mrs. Taruna Reddy	70,400	28.16%
Mr. Jignesh Sharma	50,000	20.00%
Total	2,50,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 10 per share)	25.00	25.00	25.00
Sales and other income	440.90	708.39	375.91
Profit / loss after tax	1.19	28.52	(34.52)
Reserves and surplus	(4.81)	(6.00)	(34.52)
Earning per share (₹)	0.48	11.41	(13.81)
BV per share (₹)	5.62	4.32	(7.91)

La Reine Fashions Private Limited

La Reine Fashions Private Limited, a company incorporated on August 24, 1995, under the laws of India, is engaged in the business of manufacturers, processors, knitters, dyers, colourers, bleachers, printers, spinners, doublers,

weavers, ginners, sellers, byers, importers, exporters, distributors and or otherwise dealers in textiles, garments, hosiery, fabrics, yarns of all kinds of whatsoever description like cotton, woollen, silk, art silk, rayon, jute, nylon, polyester, acrylic, viscose, polypropylene, terylene, canvass and all other kinds of materials of fashions whether natural or man made, readymade garments, undergarments, dress makers, outfitters, designers including mens, womens and children clothing and wearing apparels of every kind, nature and description .

The authorised share capital of La Reine Fashions Private Limited is ₹ 1,75,00,000 divided into 14,00,000 equity shares of ₹ 10 each and 35,000 9% redeemable cumulative preference shares of ₹ 100 each and the paid-up capital of La Reine Fashions Private Limited is ₹ 1,75,00,000 divided into 14,00,000 equity shares of ₹ 10 each and 35,000 9% redeemable cumulative preference shares of ₹ 100 each. The shareholding pattern of the equity shares of La Reine Fashions Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	4,90,000	35.00%
Mr. L. Jaipal Reddy	1,70,000	12.14%
Mr. L. Prashant Reddy	1,90,000	13.57%
Mrs. L. Shobha Reddy	4,75,000	33.93%
Mrs. Taruna Reddy	25,000	1.79%
L. Jaipal Reddy (HUF)	20,000	1.43%
Master Rudraveer V. Reddy	30,000	2.14%
Total	14,00,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 10 per share)	140.00	140.00	140.00
Sales and other income	Nil	Nil	Nil
Profit / loss after tax	(0.95)	(4.99)	(1.38)
Reserves and surplus	(240.53)	(239.58)	(234.59)
Earning per share (₹)	(0.07)	(0.36)	(0.10)
BV per share (₹)	(7.18)	(7.11)	(6.76)

Holstein Ecofoods Private Limited

Holstein Ecofoods Private Limited, a company incorporated on August 7, 2007, under the laws of India, is engaged in the business of milk and milk products, fresh vegetables, agriculture produce including its product, allied products and preparations thereof and to manufacture, process, prepare, preserve in can, refine, bottle, buy, sell and deal whether as wholesalers and retailers or as exporters or importers or as principals or agents in foods, meat, sea foods, eggs, poultry, fruits and vegetables, canned or tinned or processed foods, protein, health and instant foods of all kinds including baby and diatic foods, cereals, beverages, cordials, tonics, restorative and aerated mineral water and food stuffs and consumables, provisions of every description for human or animal consumption.

The authorised share capital of Holstein Ecofoods Private Limited is ₹ 1,25,00,000 divided into 12,50,000 equity shares of ₹ 10 each and the paid-up capital of Holstein Ecofoods Private Limited is ₹ 1,25,00,000 divided into 12,50,000 equity shares of ₹ 10 each. The shareholding pattern of Holstein Ecofoods Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	2,49,000	19.92%

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Jaipal Reddy	82,500	6.60%
Mr. L. Prashant Reddy	3,23,500	25.88%
Mrs. L. Shobha Reddy	2,25,000	18.00%
Mrs. Taruna V. Reddy	2,20,000	17.60%
Vinay Hosiery Private Limited	1,50,000	12.00%
Total	12,50,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 10 per share)	125.00	125.00	20.00*
Sales and other income	Nil	Nil	Nil
Profit / loss after tax	Nil	Nil	Nil
Reserves and surplus	Nil	Nil	Nil
Earning per share (₹)	Nil	Nil	Nil
BV per share (₹)	7.29	8.70	(30.12)

* - Includes share application money received ₹ 15.00 lacs

Strategy Games Private Limited

Strategy Games Private Limited (previously known as Blue Chip Fashions Private Limited), a company incorporated on August 25, 1995, under the laws of India, is engaged in the business to create, design, develop, modify, publish, test, level design, market, sell, advertise, distribute mobile games, internet games, internet services, software development and ancillary activities.

The authorised share capital of Strategy Games Private Limited is ₹ 5,00,000 divided into 50,000 equity shares of ₹ 10 each and the paid-up capital of Strategy Games Private Limited is ₹ 1,00,000 divided into 10,000 equity shares of ₹ 10 each. The shareholding pattern of the equity shares of Strategy Games Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	1,400	14.00%
Mr. L. Jaipal Reddy	8,600	86.00%
Total	10,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 10 per share)	1.00	1.00	1.00
Sales and other income	Nil	Nil	Nil
Profit / loss after tax	Nil	Nil	Nil
Reserves and surplus	Nil	Nil	Nil
Earning per share (₹)	Nil	Nil	Nil
BV per share (₹)	(1.75)	(0.90)	(0.50)

Bellini Fashions Private Limited

Bellini Fashions Private Limited, a company incorporated on March 29, 2000, under the laws of India, is engaged in the business as buyers, sellers, exporters, importers, dealers and traders of footwear of all kinds and description, garments, wearing apparels, hosiery goods, fashion garments, leather goods, designer clothing and accessories of the aforesaid.

The authorised share capital of Bellini Fashions Private Limited is ₹ 2,10,00,000 divided into 19,50,000 equity shares of ₹ 10 each and 15,000 10% cumulative preference shares of ₹ 100 each. The paid-up capital of Bellini Fashions Private Limited is ₹ 40,00,000 divided into 2,50,000 equity shares of ₹ 10 each and 15,000 10% cumulative preference shares of ₹ 100 each. The shareholding pattern of the equity shares of Bellini Fashions Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	60,000	24.00%
Mr. L. Jaipal Reddy	65,000	26.00%
Mr. L. Prashant Reddy	30,000	12.00%
Mrs. L. Shobha Reddy	30,000	12.00%
Mrs. Taruna Reddy	25,000	10.00%
Mrs. L. Buchamma Reddy	30,000	12.00%
L. Jaipal Reddy (HUF)	10,000	4.00%
Total	2,50,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 10 per share)	25.00	25.00	25.00
Sales and other income	0.23	Nil	35.25
Profit / loss after tax	(0.12)	(0.38)	(1.93)
Reserves and surplus	(368.49)	(368.37)	(367.98)
Earning per share (₹)	(0.05)	(0.15)	(0.77)
BV per share (₹)	(137.40)	(137.35)	(137.20)

Lovable Lifestyles Private Limited

Lovable Lifestyles Private Limited, a company incorporated on November 4, 2009, under the laws of India, is engaged in the business of traders, merchants, retailers, liasioners, stockists, distributors, importers, exporters, intermediaries, middle man, brokers, suppliers, indentors, C & F agents, commission agents, buying agents, selling agents, or otherwise to exchange, loand, unload, handle, deal, in all types of lifestyle products which include purse deo, perfume miniatures, sunscreen sachets, pollution screens and sunscreen, hand sanitizer, mouth freshening spray, roll on fragarance, face wash cleanser, skin soother sachet / tube, lip treatment and lip gloss, pure lipstick multi pack, face moisturizer sachet, after shaves, styling gels, hair sprays, multipurpose wipes, leave in hair conditioner, bath gels and perfumed bath gels.

The authorised share capital of Lovable Lifestyles Private Limited is ₹ 5,00,000 divided into 50,000 equity shares of ₹ 10 each. The paid-up capital of Lovable Lifestyles Private Limited is ₹ 1,00,000 divided into 10,000 equity shares of ₹ 10 each. The shareholding pattern of Lovable Lifestyles Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mrs. Taruna Reddy	5,000	50.00%
Mr. L. Jaipal Reddy	2,500	25.00%
Mr. L. Vinay Reddy	2,500	25.00%
Total	10,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 10 per share)	1.00	N.A.	N.A.
Sales and other income	Nil	N.A.	N.A.
Profit / loss after tax	Nil	N.A.	N.A.
Reserves and surplus	Nil	N.A.	N.A.
Earning per share (₹)	Nil	N.A.	N.A.
BV per share (₹)	6.74	N.A.	N.A.

Vinay Hosiery Private Limited

Vinay Hosiery Private Limited, a company incorporated on November 2, 1987, under the laws of India, is engaged in the business of manufacturing, buying, selling, making, preparing, producing, processing, altering, converting, importing, exporting, improving, pressing, twisting, distributing, stocking or otherwise handling, dealing or turning to account in any way whatsoever all kinds of hosiery goods, knitwear, woollen threads, fringes, embroidery, braided threads, cords, twines, ropes, ribbons, tapes, saree borders, falls, laces, shoe laces, woven labels, embroidered tapes, embroidered saree borders, watch straps, and belts and all such other goods and elastic, stretchable, or otherwise and made from cotton wool, jute hemp, flax, linen, ropes, twine, waste hessian, wool, silk rayon, nylon, Dacron, orlon, poulamide fibers, stale fibers and all other materials synthetic or otherwise.

The authorised share capital of Vinay Hosiery Private Limited is ₹ 20,00,000 divided into 20,000 equity shares of ₹ 100 each. The paid-up capital of Vinay Hosiery Private Limited is ₹ 8,00,000 divided into 8,000 equity shares of ₹ 100 each. The shareholding pattern of the equity shares of Vinay Hosiery Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	440	5.50%
Mr. L. Jaipal Reddy	2,010	25.13%
Mr. L. Prashant Reddy	440	5.50%
Mrs. L. Shobha Reddy	4,110	51.38%
L. Jaipal Reddy (HUF)	1,000	12.50%
Total	8,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 100 per share)	8.00	8.00	8.00
Sales	Nil	Nil	385.71
	1.29	(2.05)	25.24
Profit / loss after tax			

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Reserves and surplus	73.32	72.04	74.09
Earning per share (₹)	16.13	(25.63)	315.50
BV per share (₹)	1,016.50	1,000.50	1,026.13

Reddy and Pathare Elastics Private Limited

Reddy and Pathare Elastics Private Limited, a company incorporated on May 21, 1982, under the laws of India, is engaged in the business of production, distribution, marketing, export and sale of products in the areas of hosiery, elastic cloth, elastic tapes, knitted cloth, yarn spinning and dyeing and bleaching of all types of textile and synthetic products inclusive of elastics, underwears, brassieres, etc. and other products by ancillary processes and equipments available to arrange for production, distribution and sale of textile machineries.

The authorised share capital of Reddy and Pathare Elastics Private Limited is ₹ 30,00,000 divided into 30,000 equity shares of ₹ 100 each. The paid-up capital of Reddy and Pathare Elastics Private Limited is ₹ 24,00,000 divided into 24,000 equity shares of ₹ 100 each. The shareholding pattern of Reddy and Pathare Elastics Private Limited is as follows:

Name of the shareholder	Number of shares held	Percentage holding
Mr. L. Vinay Reddy	7,510	31.29%
Mr. L. Jaipal Reddy	2,500	10.42%
Mr. L. Prashant Reddy	1,000	4.17%
Mrs. L. Shobha Reddy	8,980	37.42%
Vinay Hosiery Private Limited	10	0.04%
Mrs. L. Buchamma Reddy	3,000	12.50%
Mr. L. Venkat Reddy	1,000	4.17%
Total	24,000	100.00%

Financial Performance

(₹ In Lacs except per share data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Equity Capital (par value ₹ 100 per share)	24.00	24.00	24.00
Sales and other income	8.88	8.88	8.88
Profit / loss after tax	5.48	5.63	5.96
Reserves and surplus	83.21	77.74	72.11
Earning per share (₹)	22.83	23.46	24.83
BV per share (₹)	446.71	423.92	400.46

Partnerships

Techknit Industries

Techknit Industries was formed pursuant to a partnership deed dated August 22, 1984 between Mr. L. Jaipal Reddy and Mrs. Lalita J. Pathare, under the laws of India. The current partners of Techknit Industries are Mr. L. Jaipal Reddy (HUF), Mr. L. Vinay Reddy and Mr. L. Prashant Reddy. It is engaged in the business of manufacturing socks, hosiery, readymade garments and allied items.

Profit and Loss Sharing Ratio

The profit and loss sharing ratio of the partners in the firm is as follows:

Name of the partner	Profit and Loss Sharing
L. Jaipal Reddy (HUF)	30%
Mr. L. Vinay Reddy	35%
Mr. L. Prashant Reddy	35%
Total	100%

Financial Performance

(₹ In Lacs except net asset value data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Partner's Capital	1,379.44	1,570.34	1,543.19
Sales and other income	Nil	Nil	Nil
Profit / loss after tax	(152.22)	(177.92)	(99.22)

Aadhunik Vitharak

Aadhunik Vitharak was formed pursuant to a partnership deed dated February 20, 1978 between Mr. L. Jaipal Reddy, Mrs. L. Buchamma Reddy and Mrs. Lalita J. Pathare, under the laws of India. The current partners of Aadhunik Vitharak are Mr. L. Jaipal Reddy, Mr. L. Vinay Reddy, Mrs. L. Buchamma Reddy and Mr. L. Prashant Reddy. Aadhunik Vitharak is engaged in the business of trading of hosiery, readymade garments and allied items and / or such other business as the partners may decide from time to time.

Profit and Loss Sharing Ratio

The profit and loss sharing ratio of the partners in the firm is as follows:

Name of the partner	Profit and Loss Sharing
Mr. L. Jaipal Reddy	10%
Mr. L. Vinay Reddy	40%
Mrs. L. Buchamma Reddy	10%
Mr. L. Prashant Reddy	40%

Financial Performance

(₹ In Lacs except net asset value data)

Particulars	For the year ended		
	March 31, 2010	March 31, 2009	March 31, 2008
Partner's Capital	0.23	1.60	2.23
Sales and other income	Nil	Nil	Nil
Profit / loss after tax	Nil	Nil	0.56

Foreign entities

None of our Group Entities are foreign entities.

Sale and purchase between Group Entities/ associate companies

There are no sales or purchase between Group Entities/associate companies exceeding an aggregate value of 10% of the total sales or purchases of our Company during the last three years except as disclosed under the chapter titled “*Related Party Transactions*” on page 159 of the Red Herring Prospectus.

Business interest of the Group Entities/ associate companies in our Company

Except as disclosed under the chapter titled “*Related Party Transactions*” on page 159 of the Red Herring Prospectus, none of our Group Entities/ associate companies have business interests in our Company.

Previous public or rights issues by the Group Entities

None of our Group Entities are presently listed on any stock exchanges, nor have made any public or rights issues in the preceding three years.

Disassociation by the Promoter in the last three years

Name of the company	Relationship with the Promoter	Reasons for disassociation	Date of disassociation
Asawari Publicity Private Limited	Promoter was a director and shareholder	Resignation and sale of shares	October 4, 2010
Maxwell Entertainment Private Limited (previously known as Kolhapur Apparels Private Limited)	Promoter was a director	Resignation	April 23, 2009
VIP Overseas Marketing Private Limited	Promoter was a director	Resignation	March 30, 2009
Maxwell Capital Management Private Limited	Promoter was a director	Vacation of office under section 260 of the Companies Act	September 29, 2008

Other Confirmations

No application has been made, in respect of any of the Group Entities, to the Registrar of Companies for striking off their names.

None of the Group Entities have become sick companies under the Sick Industrial Companies (Special Provisions) Act, 1985 and no winding up proceedings have been initiated against them. Further no application has been made, in respect of any of the Group Entities, to the Registrar of Companies for striking off their names. Additionally, none of our Group Entities have become defunct in the five years preceding the filing of the Red Herring Prospectus.

Further, our Group Entities have confirmed that they have not been identified 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 and no proceedings pertaining to such penalties are pending against them.

Additionally, none of the Group Entities have been restrained from accessing the capital markets for any reasons by the SEBI or any other authorities.

Litigation

For details relating to the material legal proceeding involving the Promoter and Group Entities, see the chapter titled “*Outstanding Litigation and Other Material Developments*” on page 228 of the Red Herring Prospectus.

Common Pursuits

Some of our Group Entities have common pursuits and are involved in the production, distribution and supply of lingerie products within or outside India. We have entered into a non-compete agreement dated November 02, 2010 Reddy and Pathare Elastics Private Limited, Bellini Fashions Private Limited, La Reine Fashions Private Limited, Federal Brands Limited, Vinay Hosiery Private Limited and Strategy Games Private Limited (the “**Group Entities**”) wherein the Group Entities have agreed not to compete with the business of our Company. For, further details on the related party transactions, to the extent of which our Company is involved, see the chapter titled “***Related Party Transactions***” on page 159 and the chapter titled “***History and Certain and Corporate Matters***” on page 128 respectively of the Red Herring Prospectus.

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 restated financial statements and the annexures and notes thereon, included in the Red Herring Prospectus, under the chapter titled “Auditors Report and Financial Information” on page 161 of the Red Herring Prospectus, which presents important statistical information about our Company’s business. You should also read the chapter titled “Risk Factors” on page 11 of the Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. This discussion also contains forward looking statements and you should refer to the chapter titled “Forward-Looking Statements” on page 10 of the Red Herring Prospectus. The following discussion is based on internally prepared statistical information and on publicly available information. Our financial year ends on March 31, so all references to a particular financial year are to the twelve-month period ended March 31.

The following discussion relates to our Company and is based on our restated financial statements, as of and for the Fiscal years ended March 31, 2008 (“Fiscal Year 2008”), March 31, 2009 (“Fiscal Year 2009”) and March 31, 2010 (“Fiscal Year 2010”), and for the nine months period ended December 31, 2010, which have been prepared in accordance with Indian GAAP, the accounting standards referred to in section 211(3C) of the Companies Act, 1956 and other applicable legal provisions.

Certain industry, technical and financial terms used in this discussion shall have the meanings ascribed to them in the chapter titled “Definitions and Abbreviations” on page 1 of the Red Herring Prospectus.

Overview

Our Company, incorporated in the year 1987, is one of India’s leading women’s innerwear manufacturers. Our products include brassieres, panties, slips / camisoles, homewear, shapewear, foundation garments and sleepwear products. On December 26, 1995, our Company was licensed the brand “Lovable” from Lovable World Trading Company, USA. Subsequently, by an agreement dated December 23, 2000, our Company acquired the brand “Lovable” from Lovable World Trading Company, USA on an exclusive basis for the territories of India, Nepal, Sikkim and Bhutan. The innerwear products manufactured under the brand “Lovable” cater to the premium segment market in India.

“Lovable” and “Daisy Dee” are our flagship brands. Our brand “Lovable” is amongst the top three most preferred brand in women’s innerwear in India (Source: CARE Report). As part of our growth strategy, we have diversified our portfolio of brands and acquired brands like “Daisy Dee” from Maxwell Industries Limited through a memorandum of understanding dated March 18, 2004 to cater the mid segment market in India and also acquired the brand “College Style” from Levitus Trading Limited, Hong Kong through a deed of assignment dated March 17, 2009 to cater to the young segment of India. Our Company has also in the past marketed the “Vanity Fair” brand of women’s innerwear garments, which was licensed from VF Corporation Inc., USA.

Our Company’s core competency lies in understanding the prevailing trends in the women’s innerwear market and the buying preferences of our customers and accordingly manufacturing quality innerwear garments to assure our customers of product quality and fit consistency in trendy women’s innerwear. In addition, our competency also lies in identifying the gaps and foraying into the untapped women’s innerwear market segments with unique products. In the year 1995 our Company identified that the Indian market was developing and there was potential for launching and sustaining a premium women’s innerwear brand and pursuant to a license agreement with Lovable World Trading Company, USA (“LWTC”) we acquired the technical expertise for producing international standard innerwear for women. Our Company has its design studio since 1996. It was started and managed by our designers who were trained in the women’s innerwear design at Lovable USA’s studio in Atlanta.

We believe our Company has been successful in establishing one of the first international women’s innerwear brand in the Indian market. Our Company is a marketing centric organisation, which works on the consumer’s need and accordingly modifies the innerwear product and design know-how. Our Company sources certain international innerwear materials like lace and fabric for the women’s innerwear products it manufactures and retails to premium

outlets. Our Company segments the customer as per their psychographics, biases and affinities, and the look and fit and features desired. Our Company has established our product segments like All Day Long, Cotton Essentials, Encircle and Tease, at a time when women's innerwear market was at its nascent stage. We believe that these focused segments and their customer franchise remain our strength till today.

Our Company is headquartered in Mumbai, Maharashtra and has three (03) manufacturing facilities of which two (02) are situated at Kanakapura road in Bengaluru and one (01) is situated in Roorkee, Uttarakhand. Our two (02) manufacturing facilities situated in Bengaluru, Karnataka commenced operations in the year 1995 and the year 2005, respectively and have a total installed capacity of 30 lac pieces each per annum to manufacture brassieres and panties. Going forward, we propose to implement a project for modernization and integration at a new location in Uttarahalli Hobli, Bengaluru which will result in increase in capacity and value-addition by 25 lacs pieces per annum. The manufacturing unit situated at Roorkee, Uttarakhand commenced operation in February, 2010 and has an installed capacity of 7.5 lac pieces per annum to manufacture brassieres and panties.

Our first manufacturing facility was set up as per the specifications from LWTC. Similarly our other two manufacturing units maintain the same specifications to maintain international standards. Production lines were set up as per the layouts and configurations that were in use at our licensor's factories. Our production managers received training at LWTC's factory in Costa Rica, Central America.

In order to keep up with consumer tastes and fashion cycles, our Company has set up an in house design studio for developing innerwear products and creating styles to meet the global standards. We have a design studio in Bengaluru, Karnataka with the latest equipments and a team of designers. Our design studio is equipped with latest software with requisite hardware like digitiser, pattern grader, sampling, sewing machines and sample analyser. Our design studio has a team of designers, pattern makers and sample makers who put together international trends and innovative features in our innerwear products and which are updated from visits to international women's innerwear and raw materials fairs, industry literature and women's innerwear websites. Our Company continuously works on the basis of consumer feedback, by visiting trendsetting international markets and meeting market participants at such markets.

To market our products and increase the retail sales of our Company, we have undertaken the concessionaire retailing model. In this model, our Company procures dedicated retail space in leading high-traffic retail outlets like large format stores ("LFS") / department stores. In this dedicated space, our Company's brand "Lovable" makes the arrangement for stocking, displays and visual merchandising in the form of its "shop-in-shop" modules and its display fixtures. Unlike a multi-branded display, in this model the dedicated retail space stocks only our brand's products, reflects our brands visuals and is manned by our sales representative. By marketing our innerwear products through the "shop-in-shop" concept helps in displaying the entire range of products manufactured by us and in garnering more revenues for our Company. Currently, our Company has 127 counters in stores like Westside, Shoppers Stop, Lifestyle amongst others in 21 cities, all over India.

Our Company measures success in terms of customer satisfaction and quality that is built into every product. The value of commitment to quality is also cherished by each of our 1,209 staff members and is consciously upheld by our network comprising of 5 branches, 103 distributors, 1,425 direct dealers and approximately 7,500 multi brands outlets in 105 cities.

Factors Affecting Our Results of Operations

A number of general factors affected our financial performance during each of Fiscal Year 2008, Fiscal Year 2009, Fiscal Year 2010 and the nine months period ended December 31, 2010. These factors may affect our financial performance in the future, and include:

Customer preferences and evolving fashion trends in the innerwear industry

The innerwear business is characterized by constant product innovation due to changing consumer preferences and evolving fashion trends. To compete successfully in the industry, we must be able to identify and respond to changing consumer demands and tastes, as well as operate within substantial production and delivery constraints. In addition, we must be able to retain and continue to attract a talented design team to stay abreast with the changing

consumer preferences and evolving fashion trends. Failure to identify and respond to changes in consumer preferences could, among other things, limit our ability to differentiate our products, adversely affect consumer acceptance of our products, and lower sales and gross margins. Any of these factors could have a material adverse effect on our business and results of operations.

Product and product mix

Our results of operations are impacted by the product and market mix within the women's innerwear value chain. The markets in which we operate are characterized by changes or introduction of new products or variants. Customer preferences in these markets could vary, and our inability to respond effectively to changes in the preferences could put our products at a competitive disadvantage and may materially and adversely affect the results of our operations.

Raw material availability and cost

Fabric, elastics and laces are the primary raw material that we use to produce women's innerwear garments. Net material consumption as a % to our total income was 32.10%, 27.35%, 34.63% and 36.22% for Fiscal Year 2008, 2009, 2010 and nine months period ended December 31, 2010 respectively. Any adverse fluctuations in the price of these raw materials could materially and adversely affect the results of our operations.

Fluctuations in interest rates and availability of credit

Our Company has availed certain credit facilities to fund our proposed expansion plans. For the same, our Company is subject to certain restrictive covenants wherein we are required to maintain certain financial ratios and comply with other terms and conditions imposed by our lenders. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are necessary to operate and grow our business.

In light of our future expansion plans, our Company may also incur additional indebtedness thereby increasing our finance costs. Any variations in the availability of credit and fluctuations of interest rates thereon may materially and adversely affect the results of our operations. Also, all of our current debts have a floating rate of interest. Such floating interest rate indebtedness is subject to increases in interest rates, which would increase our finance expenses and could have an adverse effect on our results of operations. Any increase in interest expense may have an adverse effect on our business, financial condition and results of operations.

Labour Costs

Our Company's activities are labour intensive in nature. The labour cost as a % of our total expenditure amounted to 14.05%, 14.24%, 12.43% and 12.20% for Fiscal Year 2008, 2009, 2010 and for the nine months period ended December 31, 2010 respectively. Any increase in wages and other costs would result in and otherwise have a material adverse effect on our business, results of operations or financial condition thereby diminishing our competitive advantage.

In addition, work stoppages, refurbishments, installation of new plants, accidents at our operations could result in production losses and delays in delivery of our products, which may adversely affect our operations and profitability. Production may also fall below historic or estimated levels as a result of unplanned outages.

Synergy with Lovable Lifestyles Private Limited

Our Company recognises that inorganic growth opportunities would be a "growth and value driver" in its future strategic plans. Our Company has in the past acquired the brands "Lovable", "Daisy Dee" and "College Styles". To enhance our existing innerwear business, our Company may acquire or partner with any company in the innerwear business to enable us to access new products or diversify into newer markets that have large growth potential for our Company. Our Company believes that pursuing selective acquisitions, partnerships, or alliances in domestic markets and internationally would improve our competitiveness, further broaden our product offerings and strengthen our market position. In this regard, our Company has entered into a joint venture agreement with Lifestyle Galleries of

London Limited to establish a joint venture company in India by the name of Lovable Lifestyles Private Limited (“**Lovable Lifestyle**”). Lovable Lifestyle intends to launch product lines in women’s innerwear and in related lifestyle categories under the name and style of ‘*London Calling*’. Any failure on our part to successfully implement any proposed acquisitions, partnerships or alliances or to successfully launch and market the proposed brands, as a part of our business or growth strategies may materially and adversely affect the results of our operations.

Government Incentives

We benefit from a number of government incentives that are available to us as a result of our exports. These incentives are in the form of subsidies, lower duties on imports of machineries, and duty draw backs on exports of certain items. These incentives are subject to change as a result of changes in applicable laws or other regulatory authorities. Changes have occurred in the past and are likely to occur in the future and any such changes could materially and adversely affect the results of our operations. The following are the primary incentives which have a material impact on our results of operations:

- *Technology Upgradation Fund Scheme (“TUFS”)*

The Ministry of Textiles, Government of India, launched the TUFS for the textile and jute industry for a five-year period from April 1, 1999 to March 31, 2004. It was extended until March 31, 2007. The union budget announced on February 28, 2007 has extended the TUFS to March 31, 2012. The TUFS provides for a reimbursement of 5% on the interest charged by a lending agency for financing of a project of technology upgrading in conformity with this scheme.

The proposed capacity expansion plans of our Company in the lingerie manufacturing unit situated in Bengaluru will be funded under the TUFS which shall provide interest reimbursement and capital subsidy with a relatively lower interest cost thereby by affecting our results of operations.

Significant Accounting Policies

Our critical accounting policies are those that are both (1) relevant to the presentation of our financial condition and results of operations; and (2) require our management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. While we believe that all aspects of our financial statements should be reviewed when assessing our current and expected financial condition and results of operations, we believe that the following critical accounting warrant particular attention.

A. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention in accordance with the normally accepted accounting principles and the provision of the Companies Act, 1956 as followed consistently by the Company.

B. Fixed Assets and Depreciation

- a) Fixed assets are stated at acquisition cost including incidental expenses in connection thereto less depreciation in accordance with AS-10 of the ICAI.
- b) Depreciation on fixed assets is related to the period of use of the assets and is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act.
- c) Intangible Assets are stated at cost less accumulated amortization. Cost includes any directly attributable expenditure on making the asset ready for its intended use.

C. Investments

Long term investments are carried at cost.

D. Valuation of inventories

- a) Raw materials - at lower of cost or market value
- b) Work in progress - at cost
- c) Finished goods - at lower of cost or net realisable value

E. Recognition of income / expenditure

All income and expenditure items having a material bearing on the financial statements are recognised on accrual basis except disposal of scrap materials, staff leave salary, which is accounted for on cash basis. Dividend income is recognised when right to receive payment is established. Interest income is recognised on time proportion basis.

F. Sales

Revenue from sales of goods is recognised on transfer of significant risks and rewards of ownership to the buyer which is on dispatch of goods. Amount recognised as sale are exclusive of sales tax/VAT and are net of sales returns.

G. Employee retirement benefits

- (1) Company's contribution to E.S.I.C., and other funds for the year are charged to profit & loss account.
- (2) *Gratuity Fund:*

The company has taken an insurance policy under the Group Gratuity Scheme with Life Insurance Corporation of India to cover the gratuity liability of the employees of the company. The liability of gratuity is provided for on the basis of actuarial valuation done at the end of the financial year.

- (3) *Leave Encashment:*

In view of the Accounting Standard on "Accounting for Retirement Benefits in the Financial Statements of Employers" (AS - 15) issued by the ICAI, the company has made provision for Leave encashment and gratuity benefit on retirement.

H. Accounting of foreign exchange transactions

In accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" issued by ICAI the transactions in foreign exchange are accounted for at the exchange rates prevailing at the date of transaction. In respect of the assets and liabilities remaining unsettled at the balance sheet date are translated at the closing rate. Exchange differences that arise on settlement of the monetary items or on reporting at each balance sheet date are recognized as income or expenses in the period in which they arise.

I. Provision for taxation

Tax expenses is aggregate of current tax and deferred tax charged, as the case may be to the profit and loss account for the year in accordance with the Accounting Standard-22 "Accounting for Taxes on Income" issued by the ICAI and measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

- (1) *Current tax*

Provision for Current Tax is computed as per Total Income returnable under the Income Tax Act, 1961 taking into account available deduction and exemptions.

- (2) *Deferred tax*

Deferred income taxes are recognized for the future tax consequences attributable to timing difference between the financial statements and determination of income for their recognition for tax purposes. The effects on deferred tax liabilities of a change in tax rates is recognized in the income using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets are recognized and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

J. Contingent liabilities

Contingent Liabilities, if any, are disclosed in the Notes to Accounts. Provision have been made in the accounts in respect of those contingencies which are likely to materialize in to liabilities after the year end till the finalisation of accounts and have a material effect on the position stated in the Balance Sheet.

Description of Income and Expenditure Items

Income

Our total income comprises of sales of women innerwear products manufactured by our Company, other income and increase / decrease in inventories.

Operative income: Our operative income is derived primarily from sales of products manufactured by our Company, which represented 99.88% of our total income in Fiscal Year 2010.

Other income: Other income comprises of recurring income and non recurring income. Recurring income comprises of interest received, duty drawback, dividend income and other receipts. Non recurring income comprises of gain from foreign exchange fluctuations and profit on sale of assets.

Expenditures

Our expenditures mainly comprises of (1) Costs of goods sold / consumed, (2) Employees' remuneration and benefits, (3) Administrative and other expenses, and (4) Selling and distribution expenses.

Material consumed: Our expenditure on material consumed primarily consists of expenditure on raw materials like fabrics, elastics, lace, etc consumed in the manufacturing process.

Wages and Staff cost: Wages and staff cost include salaries and wages, contributions to provident funds, gratuity benefits and welfare expenses.

Other manufacturing expenses: Other manufacturing expenses include charges incurred on account of rent rates and taxes, legal and professional charges, insurance, travelling expenses, vehicle maintenance charges, printing and stationary, machinery repair charges, etc.

Administrative, selling and distribution expenses: Administrative, selling and distribution expenses include charges incurred on account of freight and delivery charges, sales tax and other overheads, sales promotion expenses, advertisement expenses, discounts, field staff expenses and commission.

Our Growth Path

The following table sets forth select financial data from our audited profit and loss account for the Fiscal Year 2008, Fiscal Year 2009, Fiscal Year 2010 and for the nine months period ended December 31, 2010 respectively, the components of which are also expressed as a percentage of total income for such periods. This table should be read together with our audited restated financial statements, including the schedules, annexes and notes thereto, appearing elsewhere in the Red Herring Prospectus.

Particulars	2008		2009		2010		As at December 31, 2010	
	₹ In Lacs	% of Total Income	₹ In Lacs	% of Total Income	₹ In Lacs	% of Total Income	₹ In Lacs	% of Total Income
Income								
Sales of Products Manufactured by our Company	6,006.27	95.22%	6,924.26	100.62%	8,695.35	100.19%	8,805.74	101.72%
Net Sales	6,006.27	95.22%	6,924.26	100.62%	8,695.35	100.19%	8,805.74	101.72%
Other Income	11.97	0.19%	11.41	0.17%	10.14	0.12%	85.39	0.99%
Increase / (Decrease) In Inventories	289.87	4.60%	-53.87	-0.78%	-26.9	-0.31%	-233.92	-2.70%
Total (A)	6,308.11	100.00%	6,881.80	100.00%	8,678.60	100.00%	8,657.21	100.00%
Expenditure								
Materials Consumed	2,723.40	43.17%	2,806.01	40.77%	4,015.03	46.26%	3,614.57	41.75%
Wages and Staff Costs	809.43	12.83%	909.48	13.22%	929.14	10.71%	880.99	10.18%
Other Manufacturing Expenses	217.06	3.44%	270.34	3.93%	278.09	3.20%	339.46	3.92%
Administrative, Selling and Distribution Expenses	1,812.07	28.73%	2,033.51	29.55%	1,831.25	21.10%	2,070.54	23.92%
Total (B)	5,561.96	88.17%	6,019.34	87.47%	7,053.50	81.27%	6,905.57	79.77%
Profit before Interest, Depreciation and Tax	746.15	11.83%	862.46	12.53%	1,625.09	18.73%	1,751.64	20.23%
Depreciation	27.88	0.44%	39.45	0.57%	130.7	1.51%	102.16	1.18%
Profit Before Interest and Tax	718.27	11.39%	823.01	11.96%	1,494.40	17.22%	1,649.48	19.05%
Financial Charges	64.16	1.02%	136.5	1.98%	93.29	1.07%	44.42	0.51%
Profit After Interest and Before Tax	654.11	10.37%	686.5	9.98%	1,401.11	16.14%	1,605.06	18.54%
Preliminary Expenses & Def. Exps. W/o	-	-	-	-	-	-	-	-
Profit Before Taxation	654.11	10.37%	686.5	9.98%	1,401.11	16.14%	1,605.06	18.54%
Provision for Taxation	227.38	3.60%	112.87	1.64%	303.73	3.50%	325.10	3.76%
Provision for Deferred Tax	-0.61	-0.01%	-36.51	-0.53%	41.9	0.48%	19.30	0.22%
Provision for FBT	11.43	0.18%	8.2	0.12%	-	-	-	-
Add/Less Adjustments of Prior Year	22.34	0.35%	-	-	76.51	0.88%	-	-
Total	260.54	4.13%	84.56	1.23%	422.14	4.86%	344.39	3.98%
Profit After Tax but before Extra ordinary Items	393.58	6.24%	601.94	8.75%	978.96	11.28%	1,260.67	14.56%
Extraordinary Items	-	-	-253.82	-3.69%	-	-	-	-
Excess Provision for Gratuity	-	-	-	-	25.19	0.29%	-	-
Impact of Material adjustments for Restatement in corresponding years	22.34	0.35%	-61.5	-0.89%	51.33	0.59%	-	-
Net Profit after Adjustments	415.92	6.59%	286.62	4.16%	1,055.48	12.16%	1,260.67	14.56%

Financial statements for the nine months period ended December 31, 2010 compared with financial statements for the nine months period ended December 31, 2009

Our financial statements as of nine months period ended December 31, 2010 cannot be compared with the financial statements as of nine months period ended December 31, 2009 as the former has been audited and the latter has not been audited.

Discussion on Results of Operations

Fiscal Year 2010 Compared to Fiscal Year 2009

Total Income

Our total income increased by 26.11% to ₹ 8,678.60 lacs for the Fiscal Year 2010 from ₹ 6,881.80 lacs for the Fiscal Year 2009. This rise is due to the fact that sales have increased from ₹ 6,924.26 lacs for the Fiscal Year 2009 to ₹ 8,695.35 lacs for the Fiscal Year 2010 attributing to a percentage increase of 25.58%.

Net Sales

Our net sales increased by 25.58% to ₹ 8,695.35 lacs for the Fiscal Year 2010 from ₹ 6,924.26 lacs for the Fiscal Year 2009. The increase is attributable to the increase in production and sales of women's innerwear products and due to increase in the client base which was a result of our Company's new marketing strategies. Further, the increases in sales can also be attributed to the introduction of new offerings in the existing range of products in distribution channel such as "Cotton Essensuals", "Tease" under our flagship brand "Lovable" and new styles of the Salwar Kameez brassiere under our brand "Daisy Dee". The increase in sales can further be attributed to the increase of distribution network and retail outlets.

Other Income

Our other income amounted to ₹ 10.14 lacs for the Fiscal Year 2010, primarily due to the income generated from duty drawback, interest received and gain in foreign exchange fluctuation amongst others.

Total Expenditure

Our total expenditure increased to ₹ 7,053.50 lacs for the Fiscal Year 2010 from ₹ 6,019.34 lacs for the Fiscal Year 2009. However, as a percentage of our total income, our total expenditure decreased to 81.27% for the Fiscal Year 2010 from 87.47% for the Fiscal Year 2009. The decrease of our total expenditure as a percentage to the total income is attributable to the increase in the production volumes thereby providing economies of scale.

The increase in overall expenditure can be attributable to the fact that the demand for the products had increased leading to an increase in production which had a direct influence on the cost of material consumption which increased to the tune of ₹ 1,209.02 lacs or 43.09% in the Fiscal Year 2010. Also, an increase in the staff cost, other manufacturing expenses, administrative, selling and distribution expenses and financial charges had a significant hand to play in the overall increase in the expenditure.

Material Consumed

Our material consumption expenses increased by 43.09% to ₹ 4,015.03 lacs for the Fiscal Year 2010 from ₹ 2,806.01 lacs for the Fiscal Year 2009, primarily due to an increase in the consumption of fabric, laces, elastics as a percentage of the raw material consumption increased to 34.63 % for the Fiscal Year 2010 from 27.35 % for the Fiscal Year 2009. As a percentage of our total income, our material consumption increased to 46.26% for the Fiscal Year 2010 from 40.77% for the Fiscal Year 2009.

Wages and Staff Costs

Our personnel expenses increased marginally by 2.16% to ₹ 929.14 lacs for the Fiscal Year 2010 from ₹ 909.48 lacs for the Fiscal Year 2009, primarily due to the annual increment in the salaries of our employees. As a percentage of our total income, our personnel expenses decreased marginally to 10.71% for the Fiscal Year 2010 from 13.22% for the Fiscal Year 2009.

Other Manufacturing Expenses

Our other manufacturing expenses increased marginally by 2.87% to ₹ 278.09 lacs for the Fiscal Year 2010 from ₹ 270.34 lacs for the Fiscal Year 2009, primarily due to an increase in fabrication charges. As a percentage of our total income, our other manufacturing expenses decreased marginally to 3.20% for the Fiscal Year 2010 from 3.93% for the Fiscal Year 2009.

Administrative, Selling and Distribution Expenses

Our administrative, selling and distribution expenses decreased by 9.95% to ₹ 1,831.25 lacs for the Fiscal Year 2010 from ₹ 2,033.51 lacs for the Fiscal Year 2009. During the same period, the administrative, selling and distribution expenses as a percentage of total income decreased from 29.55% to 21.10%.

Depreciation

Depreciation expenses increased by 231.31% to ₹ 130.70 lacs for the Fiscal Year 2010 from ₹ 39.45 lacs for the Fiscal Year 2009, primarily due to an increase in gross block to ₹ 1,753.66 lacs as of March 31, 2010 from ₹ 1,666.78 lacs as of March 31, 2009, which was the result of depreciation of assets pertaining to the acquisition of the brand “College Styles” for the full year during the Fiscal Year 2010. As a percentage of our total income, our depreciation expenses increased to 1.51% for the Fiscal Year 2010 from 0.57% for the Fiscal Year 2009.

Financial Charges

Our financial charges decreased by 31.66% to ₹ 93.29 lacs for the Fiscal Year 2010 from ₹ 136.50 lacs for the Fiscal Year 2009, primarily due to a reduction in the utilisation of our working capital facilities. As a percentage of our total income, our financial charges decreased to 1.07% for the Fiscal Year 2010 from 1.98% for the Fiscal Year 2009.

Profit Before Taxation

For the reasons discussed above, profit before taxation increased by 104.09% to ₹ 1,401.11 lacs for the Fiscal Year 2010 from ₹ 686.50 lacs for the Fiscal Year 2009. Our profit before tax margin as a percentage of total income increased to 16.14% in for the Fiscal Year 2010 from 9.98% in for the Fiscal Year 2009.

Provision for Taxation

Provision for taxation inclusive of deferred tax and fringe benefit tax increased by 399.22% to ₹ 422.14 lacs for the Fiscal Year 2010 from ₹ 84.56 lacs for the Fiscal Year 2009.

Net Profit

Our net profit was ₹ 1,055.48 lacs for the Fiscal Year 2010 as compared to a net profit for the year of ₹ 286.62 lacs for the Fiscal Year 2009. This increase can mainly be attributable to an analogous increase in the sales. The increase is also attributed to an extraordinary item of ₹ 253.81 lacs in the Fiscal Year 2009, the impact of which was not present in Fiscal Year 2010.

Fiscal Year 2009 Compared to Fiscal Year 2008

Total Income

Our total income increased by 9.09% to ₹ 6,881.80 lacs for the Fiscal Year 2009 from ₹ 6,308.11 lacs for the Fiscal Year 2008. This rise is due to the fact that sales have increased from ₹ 6,006.27 lacs for the Fiscal Year 2008 to ₹ 6,924.26 lacs for the Fiscal Year 2009 attributing to a percentage increase of 25.58%.

Net Sales

Our net sales increased by 15.28% to ₹ 6,924.26 lacs for the Fiscal Year 2009 from ₹ 6,006.27 lacs for the Fiscal Year 2008. The increase is attributable to the increase in production and sales of women's innerwear products and due to increase in the client base which was a result of our Company's new marketing strategies, the introduction of new offerings in the existing range of products in distribution channel, increase of distribution network and retail outlets. Further, the increase in sales can also be attributed to our Company's increased retail presence in large format stores by way of "shop in shop" outlets to directly reach the end consumers.

Other Income

Our other income amounted to ₹ 11.41 lacs for the Fiscal Year 2009, primarily due to the income generated from duty drawback and interest received amongst others.

Total Expenditure

Our total expenditure increased to ₹ 6,019.34 lacs for the Fiscal Year 2009 from ₹ 5,561.96 lacs for the Fiscal Year 2008. However, as a percentage of our total income, our total expenditure decreased to 87.47% for the Fiscal Year 2009 from 88.17% for the Fiscal Year 2008. The decrease of our total expenditure as a percentage to the total income is attributable to the increase in the production volumes thereby providing economies of scale.

The increase in overall expenditure can be attributable to the fact that the demand for the products had increased leading to an increase in production which had a direct influence on the wages and staff cost which increased to the tune of ₹ 909.48 lacs or 12.36% and other manufacturing expenses which increased to ₹ 270.34 lacs or 24.55% in the Fiscal Year 2009. Also, an increase in the staff cost, other manufacturing expenses, administrative, selling and distribution expenses and financial charges had a significant hand to play in the overall increase in the expenditure.

Material Consumed

Our material consumption expenses increased marginally by 3.03% to ₹ 2,806.01 lacs for the Fiscal Year 2009 from ₹ 2,723.40 lacs for the Fiscal Year 2008, primarily due to an increase in the consumption of fabric, laces, and elastics. As a percentage of our total income, our material consumption decreased to 40.77% for the Fiscal Year 2009 from 43.17% for the Fiscal Year 2008. This decrease was due to a change in our product mix with preference towards the lower end segment. The preference towards the lower end segment was primarily due to a change in consumer buying patterns from high end products to low end products due the general economic slowdown.

Wages and Staff Costs

Our personnel expenses increased by 12.36% to ₹ 909.48 lacs for the Fiscal Year 2009 from ₹ 809.43 lacs for the Fiscal Year 2008, primarily due to the annual salary increments. As a percentage of our total income, our personnel expenses increased to 13.22% for the Fiscal Year 2009 from 12.83% for the Fiscal Year 2008.

Other Manufacturing Expenses

Our other manufacturing expenses increased by 24.55% to ₹ 270.34 lacs for the Fiscal Year 2009 from ₹ 217.06 lacs for the Fiscal Year 2008, primarily due to an increase in the manufacturing overheads such as fabrication charges. As a percentage of our total income, our other manufacturing expenses increased marginally to 3.93% for the Fiscal

Year 2009 from 3.44% for the Fiscal year 2008.

Administrative, Selling and Distribution Expenses

Our administrative, selling and distribution expenses increased by 12.22% to ₹ 2,033.51 lacs for the Fiscal Year 2009 from ₹ 1,812.07 lacs for the Fiscal Year 2008. During the same period, the administrative, selling and distribution expenses as a percentage of total income increased from 28.73% to 29.55%.

Depreciation

Depreciation expenses increased by 41.50% to ₹ 39.45 lacs for the Fiscal Year 2009 from ₹ 27.88 lacs for the Fiscal Year 2008, primarily due to an increase in gross block to ₹ 1,666.78 lacs as of March 31, 2009 from ₹ 666.51 lacs as of March 31, 2008, which was the result of the acquisition of the brand “College Styles”, pursuant to the deed of assignment dated March 17, 2009 between the Company and Levitus Trading Limited (Hong Kong), during the Fiscal Year 2009. As a percentage of our total income, our depreciation expenses increased to 0.57% for the Fiscal Year 2009 from 0.44% for the Fiscal Year 2008.

Financial Charges

Our financial charges increased by 112.75% to ₹ 136.50 lacs for the Fiscal Year 2009 from ₹ 64.16 lacs for the Fiscal Year 2008, primarily due to higher utilisation of our working capital limits. As a percentage of our total income, our financial charges increased to 1.98% for the Fiscal Year 2009 from 1.02% for the Fiscal Year 2008.

Profit Before Taxation

For the reasons discussed above, profit before taxation increased by 4.95% to ₹ 686.50 lacs for the Fiscal Year 2009 from ₹ 645.11 lacs for the Fiscal Year 2008. Our profit before tax margin as a percentage of total income decreased to 9.98% in for the Fiscal Year 2009 from 10.37% in for the Fiscal Year 2008.

Provision for Taxation

Provision for taxation inclusive of deferred tax and fringe benefit tax decreased by 67.54% to ₹ 84.56 lacs for the Fiscal Year 2009 from ₹ 260.54 lacs for the Fiscal Year 2008.

Net Profit

Our net profit was ₹ 286.62 lacs for the Fiscal Year 2009 as compared to a net profit for the year of ₹ 415.92 lacs for the Fiscal Year 2008. This decrease can mainly be attributable to the extra ordinary items of write offs of obsolete stocks of ₹ 253.81 lacs in Fiscal Year 2009.

Other Comparisons

The steep increase in ‘Investments’ between March 31, 2007 and March 31, 2008 was due to the acquisition of 1,00,070 equity shares of the face value of ₹ 100 each of Federal Brands Limited (previously known as Microtex India Limited).

There has been a rise in ‘Current Liabilities’ between March 31, 2007 and March 31, 2008 from ₹ 859.95 lacs as of March 31, 2007 to ₹ 1,411.90 lacs as of March 31, 2008 due to the availment of a short term loan from Barclays Bank by the Company.

Liquidity and Capital Resources

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

Our short-term liquidity requirements relate to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations.

Our long-term liquidity requirements include partial funding of our investments in new projects and repayment of debt under our bank borrowings. Sources of funding our long-term liquidity requirements include new loans, equity or debt issues.

We have an accounts receivable collection cycle that typically varies between 45 days and 60 days, and an accounts payable collection cycle that typically varies between 60 days and 75 days.

Cash Flow

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

Particulars	(₹ In Lacs)			
	As at December 31, 2010	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Net cash flows from (used in) operating activities	845.42	969.69	1,215.91	342.36
Net cash flows from (used in) investing activities	(770.93)	(161.02)	(1,019.07)	(172.16)
Net cash flows from (used in) financing activities	(121.19)	(717.04)	(221.57)	(127.37)
Net Changes in Cash and Cash Equivalents	(46.69)	91.62	(24.74)	42.84

For the nine month period ended December 31, 2010

Net cash generated from operating activities for the nine months period ended December 31, 2010 amounted to ₹ 845.42 lacs.

Net cash used in investing activities for the nine months period ended December 31, 2010 amounted to ₹ 770.93 lacs.

Net cash used for financing activities for the nine months period ended December 31, 2010 amounted to ₹ 121.19 lacs.

As a result of the above, cash and cash equivalents amounted to ₹ (46.69) lacs.

For the Fiscal Year 2010

Net cash from operating activities for Fiscal Year 2010 amounted to ₹ 969.69 lacs. ₹ 1,426.29 lacs was generated from pre-tax profit. Adjustments to cash flow primarily mainly included financial charges of ₹ 93.29 lacs, and depreciation of ₹ 130.70 lacs. Working capital adjustments included increases in trade receivables of ₹ 429.99 lacs, decrease in loans and advances of ₹ 677.64 lacs and decrease in other liabilities of ₹ 566.03 lacs.

Net cash used in investing activities for the Fiscal Year 2010 amounted to ₹ 161.02 lacs which primarily includes purchase of fixed assets and capital work in progress and investments.

Net cash used for financing activities for the Fiscal Year 2010 amounted to ₹ 717.04 lacs, mainly due to an increase in credit facilities.

As a result of the above, cash and cash equivalents amounted to ₹ 91.62 lacs.

For the Fiscal Year 2009

Net cash from operating activities for Fiscal Year 2009 amounted to ₹ 1,215.91 lacs. ₹ 432.69 lacs was generated from pre-tax profit. Adjustments to cash flow primarily mainly included financial charges of ₹ 136.50 lacs, and depreciation of ₹ 39.45 lacs. Working capital adjustments included increases in trade receivables of ₹ 261.51 lacs, decrease in inventories of ₹ 308.21 lacs and increase in trade payables of ₹ 1,103.33 lacs.

Net cash used in investing activities for the Fiscal Year 2009 amounted to ₹ 1,019.07 lacs which primarily includes purchase of fixed assets and capital work in progress.

Net cash used for financing activities for the Fiscal Year 2009 amounted to ₹ 221.57 lacs, mainly due to payment of interest.

As a result of the above, cash and cash equivalents amounted to ₹ (24.74) lacs.

For the Fiscal Year 2008

Net cash from operating activities for Fiscal Year 2008 amounted to ₹ 342.36 lacs. ₹ 654.11 lacs was generated from pre-tax profit. Adjustments to cash flow primarily mainly included financial charges of ₹ 64.16 lacs, and depreciation of ₹ 27.88 lacs. Working capital adjustments included increases in loans and advances of ₹ 334.59 lacs, increase in inventories of ₹ 344.08 lacs and increase in other liabilities of ₹ 615.68 lacs.

Net cash used in investing activities for the Fiscal Year 2008 amounted to ₹ 172.16 lacs which primarily includes purchase of fixed assets and capital work in progress and investments.

Net cash used for financing activities for the Fiscal Year 2008 amounted to ₹ 127.37 lacs, mainly due to payment of interest and unclaimed dividend.

As a result of the above, cash and cash equivalents amounted to ₹ 42.84 lacs.

Indebtedness

The following table provides our outstanding indebtedness for the Fiscal Years 2008, 2009, 2010 and for the nine months period ended December 31, 2010:

Particulars	As of December 31, 2010 (Audited)	As of March 31, (₹ In Lacs)		
		2010 (Audited)	2009 (Audited)	2008 (Audited)
Secured Loans	33.54	28.89	371.48	554.25
Unsecured Loans	-	4.46	268.00	150.00
Total Indebtedness	33.54	33.35	639.48	704.25

As on December 31, 2010, we had ₹ 33.54 lacs of aggregate amounts of indebtedness outstanding.

The steep fall in secured loans between March 31, 2009 and March 31, 2010 is due to decrease in utilisation of the cash credit facilities of the Company from ₹ 371.48 lacs as of March 31, 2009 to ₹ 28.89 lacs as of March 31, 2010.

For further details on the indebtedness, please refer chapter titled “*Financial Indebtedness*” on page 223 of the Red Herring Prospectus.

Contingent Liabilities

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

(₹ In Lacs)

Particulars	As of			
	December 31, 2010	March 31, 2010	March 31, 2009	March 31, 2008
Corporate Guarantee Given for Group Company (Hype Integracomm Private Limited)	-	150.00	-	-
Disputed demand of customs	47.20	-	-	-
Total	47.20	150.00	-	-

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses. We have from time to time entered into derivative hedging transactions for the purpose of minimising our exposure to interest rate and exchange rate risks.

Other matters

Unusual or infrequent events and transactions

Other than as described in the Red Herring Prospectus, particularly in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, to our knowledge there are no events that may be described as unusual or infrequent events and transactions.

Significant economic / regulatory changes

Other than as described in the Red Herring Prospectus, particularly in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, to our knowledge there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than as described in the Red Herring Prospectus, particularly in the chapters titled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and income

Other than as described in the Red Herring Prospectus, particularly in the “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Risk Factors*” and “*Our Business*”, to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of our Company, taken as a whole.

New product or business segment

Other than as described in the Red Herring Prospectus, particularly in the chapters titled “*Our Business*” and “*Objects of the Issue*”, to our knowledge there are no new business segments or material new products planned.

Seasonality of business

Other than as described in the Red Herring Prospectus, particularly in “***Management’s Discussion and Analysis of Financial Condition and Results of Operations***” and “***Risk Factors***”, the business of our Company is not seasonal.

Dependence on single or few customers

Other than as described in the Red Herring Prospectus we have no dependence on a single or few customers and our business interests are spread across industries and customer segments.

Competitive conditions

We face competition in all our principal areas of business from Indian and foreign lingerie companies. See “***Our Business - competition***” on page 117 of the Red Herring Prospectus.

Status of any publicly announced new products or business segments

Other than as described in the chapter titled “***Our Business***” on page 102 of the Red Herring Prospectus there are no new publicly announced products or business segments.

Significant developments after December 31, 2010

Except as stated below, there has been no significant development after December 31, 2010:

1. Pre-IPO Placement

On February 12, 2011, we have issued 10,00,000 Equity Shares to SCI Growth Investments II at a price of ₹ 200.00 per Equity Share for a total pre-IPO investment of ₹ 2,000.00 lacs. The Pre-IPO Placement was done pursuant to an investment agreement dated February 9, 2011, by and between SCI Growth Investments II, our Company, our Promoter and the Promoter Group.

2. Acquisition of land for the object of setting up of manufacturing facility at Bengaluru

Our Company entered into a memorandum of understanding dated February 10, 2011 with Mr. Amruth Raj, to purchase a land situated at Sy. No. 10/8B to the extent of 21,520 Sq ft at Thalaghattapura village, Uttarahalli Hobli, Bangalore South Taluk for a consideration of ₹ 200 lacs.

FINANCIAL INDEBTEDNESS

SECURED BORROWINGS

As on January 31, 2011, the aggregate outstanding secured borrowings of our Company is ₹ 10.42 lacs.

I. LOANS AVAILED BY OUR COMPANY

1. Facilities availed from Corporation Bank

Security Documents

- (a) Tenth Supplemental Common Deed of Hypothecation dated July 6, 2009; and
- (b) Sanction letter dated June 2, 2009

Sanctioned limit (₹ In Lacs)	Drawdown amount as of January 31, 2011 (₹ In Lacs)	Outstanding amount as of January 31, 2011 (₹ In Lacs)	Interest	Repayment
800.00	3.86	3.86	0.25% below the bank's prime lending rate, currently at 11.75% per annum	a) the outstanding amount under the Cash Credit facility is payable on demand b) the maximum tenor for Inland documentary credit is 90 days and Import documentary credit is 180 days

Security

1. The facilities which have been availed are a) a cash credit facility upto ₹ 800 lacs for the working capital requirements of our Company, b) Inland / Import documentary credit limit of upto ₹ 150 lacs for the purpose of issuance of letters of credit and c) Bank guarantee of upto ₹ 10 lacs for general business purposes.
2. These facilities are secured by:
 - a. First pari-passu charge on the present and future book debts of our Company and inventory consisting of raw materials, stock in process, finished goods and stock in trade, goods meant for export stored at its factories / godowns situated at:
 - i. 18/2, Opp. Khodays Breweries, behind L&T Concrete, Kanakapura Road, Konanankunte Cross, Bengaluru;
 - ii. 41, Yelchenahalli Industrial Estate, Bikasipura, Off.: Kanakapura Road, Bengaluru;
 - iii. 46/2, Guruprasanna Industrial Estate, Konanankunte Cross, Kanakapura Road, Bengaluru;
 - iv. 47, Guruprasanna Industrial Estate, Konanankunte Cross, Kanakapura Road, Bengaluru;
 - v. 48, Guruprasanna Industrial Estate, Konanankunte Cross, Kanakapura Road, Bengaluru; and

- vi. any other place belonging to or may belong to and held as owners/lessee/ licensee by our Company to be informed to the bank.
- b. First charge on the entire fixed assets of our Company (excluding vehicles and land).
- c. Personal guarantee(s) of Mr. L Vinay Reddy, Mr. Jaipal Reddy and Mrs. Shobha Reddy.
- d. A demand promissory note for the sum of ₹ 800 lacs plus interest accrued thereon
- e. Counter guarantee of ₹ 10 lacs given by our Company in favour of the bank for the sanctioned bank guarantee.
- f. Counter guarantee in favour of the bank for the Inland/Import Documentary Credit Limit (LC) of ₹ 150 lacs.

As a part of its continuing guarantee in relation to Inland/Import documentary credit limit of ₹ 150 lacs our Company has agreed to give pledge upon all goods and upon all lorry receipts, railway receipts, documents of title, insurance policies and or certificates and proceeds thereof and all securities which shall be delivered to into the possession of the bank in or agent in connection with any transaction under the documentary credit

Restrictive Covenants

The following restrictive covenants are also applicable in relation to the above facilities availed by our Company from Corporation Bank:

- Our Company shall not without utilise the working capital finance for acquisition of fixed assets.
- Our Company shall not without prior written permission of the Corporation Bank:
 - a. effect changes to its capital structure.
 - b. formulate any scheme of amalgamation/reconstitution.
 - c. enter into a borrowing arrangement, secured or unsecured, with any other bank, financial institution, company, firm or persons.
 - d. undertake guarantee obligation on behalf of any other company, firm or persons.
 - e. create any further charge, lien or encumbrance over its assets and properties, which are the subject matter of the charge in favour of the bank, in favour of any other bank.
 - f. sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the bank.
 - g. shift or remove the security described charged in favour of the bank
 - h. sell, dispose, create charge, encumber or alienate its assets charged in favour of the bank during the currency of the facilities.
- Our Company shall not invest any amount for acquisition of fixed assets without any long term arrangement and without maintaining a current ratio of 1.25:1

2. Facilities availed from Bank of Baroda

Security Documents

- (a) Sanction letter dated February 8, 2010
- (b) Composite hypothecation agreement dated March 3, 2010;
- (c) Letter of undertaking dated March 3, 2010

Sanctioned Limit	Drawdown amount as of January 31, 2011 (₹ In Lacs)	Outstanding Amount as of January 31, 2011 (₹ In Lacs)	Interest	Repayment
Term loan of ₹ 1,632.55 lacs and cash credit facility of ₹ 550 lacs	For cash credit facility – 6.56 For term loan facility – Nil	For cash credit facility – 6.56 For term loan facility – Nil	a) 0.25% below the bank's prime lending rate 11.75% per annum for the cash credit facility with monthly rests b) 1% below the bank's prime lending rate, 11% per annum for the term loan with monthly rests c) Penal interest rate at the maximum rate of 2% above the normal rate is applicable	The term loan facility of ₹ 1,632.55 lacs is repayable in 59 monthly instalments of ₹ 27.21 lacs each, commencing from January 31, 2011. The last (60 th) instalment of ₹ 27.16 lacs is payable on December 31, 2015

Security

1. The facilities which have been availed are a) a cash credit facility of ₹ 550 lacs for the working capital requirements of our Company and b) a term loan of ₹ 1,632.55 lacs for the purchase of land, plant and machinery.
2. These facilities are secured by:
 - a) hypothecation by way of charge in favor of the bank of the following :
 - i. The whole of our Company's stocks, both present and future and stocks of raw materials, work in progress, semi finished goods, packing materials and store etc. whatsoever and wheresoever situated;
 - ii. All the present and future book-debts, outstanding moneys, receivables, claims, bills, contracts, engagements and securities which are now due and owing or which may at anytime hereafter during the continuance of the security become due and owing to our Company in the course of its business; and
 - iii. All tangible movable plant and machinery and cranes, boats and crafts and the vehicles of our Company together with spares, tools and accessories and other movables, both present and future, and the furniture, fixtures and fittings and office equipment whether ainstalled or not and whether lying loose or in cases which are now lying or stored in or about or shall be brought into or be stored or be in or upon or about our Company's premises and godowns or whatever else the same may be or be

held by any party to the order or disposition of our Company (including those on lease or hire-purchase) relating or pertaining to our Company's works at Bengaluru or any place in India.

- b) Personal guarantees in favour of the bank by Mr. L. Jaipal Reddy and Mr. L. Vinay Reddy;
- c) For the ₹ 1,632.55 lacs term loan facility our Company shall create an exclusive charge on the plant, machinery and other movable fixed assets created out of such term loan along with equitable mortgage of industrial land and the building to be constructed thereon located at no. 2/4 Dodakallasandra village, Bengaluru; and
- d) For the ₹ 550 lacs cash credit facility, our Company has also executed a demand promissory note along with a letter of continuing security, dated March 3, 2010, in favour of the bank.

Restrictive Covenants

The following restrictive covenants are also applicable in relation to the above facilities availed by our Company:

- Our Company shall not without a prior permission from the bank and except for the purpose of sale or dealing in the ordinary course of business, so long as moneys remain due to the bank, and subject to the margin of security required by the bank being fully maintained, remove or cause to be removed any of the assets hypothecated in favour of the bank or divert or dispose of or cause or permit any of the assets hypothecated in favour of the bank while in transit to be diverted or disposed of or otherwise deal with any of the assets hypothecated in favour of the bank and that the realisation / proceeds of sale of any of the assets hypothecated in favour of the bank as soon as received shall be paid over to / appropriated by the bank in satisfaction of the balance due and owing on the facility accounts or any of them as provided by the bank, but not to any other party without the prior written consent of the bank and till then all sale proceeds and realisations howsoever in respect of the assets hypothecated in favour of the bank shall be held by our Company in trust for the bank as the bank's exclusive property for appropriation to the said facility /accommodation or account(s). However, our Company shall not make any sale of or recover, transfer, assign, dispose of or deal with any of the assets hypothecated in favour of the bank upon being prohibited in writing by the bank from doing so.
- Our Company shall not make any drastic change in its management setup without a prior approval of the bank in writing
- Our Company shall not make any change in its capital structure without a prior approval of the bank in writing
- Our Company shall not create any additional charge on the hypothecated premises without the written consent of the bank first except as specifically provided for under the hypothecation agreement
- The bank may recall the loan at any point in time
- Our Company shall not enter into any scheme of amalgamation or reconstruction without a prior approval of the bank
- Our Company shall not enter into any borrowing arrangements either secured or unsecured without prior approval of the bank
- Our Company shall not, without the prior approval of the bank in writing declare dividends for any year except out of profits relating to that year after paying all dues and making provisions as required for that year, provided there is no default in repayment obligations of our Company
- Our Company shall not, without the prior approval of the bank in writing, invest by way of share capital in or lend or advance funds to or place deposits with any other concern except for normal trade credits, security deposits in the usual course of business or advance to employees etc.

- Our Company shall not, without the prior approval of the bank in writing, undertake any new project schemes unless the expenditure on such expansion etc is covered by our Company's net cash accruals after providing for dividends, investments etc or for long term funds received for financing such new projects or expansion
- Our Company shall not, without the prior approval of the bank in writing, enter into any guarantee obligations

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND OTHER MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, Directors, Promoter and Group Entities 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 our 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 I of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Directors, our Promoter or our Group Entities that would result in a material adverse effect on our business taken as a whole.

Further, except as disclosed hereunder our Company, our Directors, our Promoter or our Group Entities have not been declared as wilful defaulters by the RBI or any government authority and there have been no violations of securities laws in the past or pending against them.

1. Lovable Lingerie Limited

(a) Cases filed against Lovable Lingerie Limited

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted against Lovable Lingerie Limited.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted against Lovable Lingerie Limited.

Tax litigation

- (i) Our Company was issued a show cause notice (C No. VIII/48/180/2010 BACC) by the Additional Commissioner of Customs, Air-Cargo Complex Division (the “**Authority**”) on August 13, 2010 for alleged misclassification of goods imported by our Company. The differential duty pursuant to such alleged misclassification stands at ₹ 47,19,798 along with interest under section 28AB of the Customs Act, 1962. Our Company had replied to the said show cause notice vide its letter dated August 23, 2010 and also filed an interim reply dated September 13, 2010 to the said show cause notice. An interim reply was filed by our Company dated September 13, 2010 and a personal hearing was granted by the Authority on November 10, 2010. The matter is currently pending before the Authority.

(b) Cases filed by Lovable Lingerie Limited

Criminal litigation

- (i) Our Company, as on the date of the Red Herring Prospectus, has not instituted any criminal litigation in any of the Courts in India.

Civil litigation (Property disputes)

- (i) Our Company has filed a suit (OS No. 5320 of 2010) in the Court of City Civil Judge at Bangalore against Mrs. Kalavathi & Others on July 31, 2010. Our Company had purchased a land admeasuring

14,560 square feet situated at serial number 2/4, Doddakallasandra village, Uttarahalli Hobli, Bangalore South, Bangalore pursuant to an agreement to sell dated December 2, 2009 (the “**Agreement**”) from Mr. C. Aswath, the original owner of the land. However, after Mr. Aswath’s death on April 23, 2010, the legal heirs to the property have refused to honour the Agreement. The value of the property is ₹ 1,76,17,600. Our Company has made an advance payment of ₹ 11,51,000. Our Company has prayed for an order directing the defendants to transfer the property to it. The court vide an order dated August 2, 2010 awarded an interim injunction in favour of our Company by directing the defendant to not alienate or create any other encumbrance over the disputed property until the pendency of the suit. The matter is currently pending before the Court.

- (ii) Our Company has filed a civil suit against M/s. Daffodils, Mumbai, in the City Civil Court, Bangalore, (SC 3282/09) in relation to dishonour of cheques for an amount of ₹ 1,98,829. The cheques were issued towards payment of goods purchased. The matter is pending before the Court.

(c) Details of the past penalties imposed on our Company

- (i) The Deputy Commissioner of Commercial Taxes (Audit) – 32, Gandhinagar Bangalore, vide order dated January 19, 2009, issued under sections 39, 36 and 72 of the Karnataka VAT Act, 2003 imposed a penalty of ₹ 22,483 for the period from April 1, 2005 to April 30, 2005 for delay in remittance of tax.
- (ii) The Additional Commissioner of Commercial Taxes, Zone-1 Bangalore vide its revision order dated October 30, 2009 confirmed a penalty of ₹ 82,112 imposed by enforcement officer. The enforcement officer intercepted a goods vehicle of our Company carrying various consignments on the suspicion that the invoices used during the transportation for these consignments were recycled and meant for evasion of taxes. The enforcement officer imposed a penalty of upto twice the tax payable under section 53(12) of the Karnataka VAT Act 2003 on November 20, 2008.
- (iii) Our Company was imposed with a fine of ₹ 1,000 vide an order dated September 10, 2008 under section 46 of the West Bengal Value Added Tax Act, 2003 for failing to furnish returns for the assessment year 2005 – 2006 without furnishing a reasonable cause.
- (iv) Our Company was imposed with a fine of ₹ 800 vide an order dated September 10, 2008 under section 9(2) of the CST Act, 1956 read with section 50 or 51 of West Bengal Value Added Tax Act, 2003 for the assessment year 2005 – 2006.
- (v) The Assistant Commissioner of Commercial Taxes (VSC -31), DVO-3, Bangalore vide demand notice dated February 14, 2007 imposed a penalty of ₹ 22,000 under the Karnataka Value Added Tax, 2003 on our Company for the assessment year 2005 – 2006.

2. Litigation related to subsidiaries

As on the date of the Red Herring Prospectus our Company does not have any subsidiaries.

3. Litigation related to Directors

(a) Mr. L. Vinay Reddy

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by or against Mr. L. Vinay Reddy except as disclosed stated below in the section “*Litigation related to Promoter*”.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted by or against Mr. L. Vinay Reddy except as disclosed in “*Litigation related to Promoter (Mr. L. Vinay Reddy)*”.

(b) **Mr. G. Ashok Reddy**

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by or against Mr. G. Ashok Reddy

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted by or against Mr. G. Ashok Reddy.

(c) **Mr. L. Jaipal Reddy**

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by or against Mr. L. Jaipal Reddy.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted by or against Mr. L. Jaipal Reddy.

(d) **Mr. Sivabalan P. Pandian**

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by or against Mr. Sivabalan P. Pandian.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted by or against Mr. Sivabalan P. Pandian.

(e) **Mr. Gopal G. Sehjpal**

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by or against Mr. Gopal G. Sehjpal

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted by or against Mr. Gopal G. Sehjpal.

(f) **Mr. Dhanpat M. Kothari**

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by or against Mr. Dhanpat M. Kothari.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted by or against Mr. Dhanpat M. Kothari.

4. **Litigation related to Promoter (Mr. L. Vinay Reddy)**

(a) Cases filed against Mr. L. Vinay Reddy

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted against Mr. L. Vinay Reddy

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted against Mr. L. Vinay Reddy.

(b) Cases filed by Mr. L. Vinay Reddy

Civil litigation

- (i) Mr. L Vinay Reddy, Mrs. L Shobha Reddy and Mrs. Taruna Vinay Reddy (collectively the “**Plaintiffs**”) have filed Special Civil Suit no. 688/2009 in the Court of Civil Judge, Senior Division, Thane against Mrs. Sindhu Ramesh Patel (the “**Defendant**”). In the said suit, the Plaintiffs claim to be in possession of a piece of agricultural land being Gut No. 120, Hissa, No. 2 at village Nane, Taluka Wada and District Thane (the “**Disputed Land**”). The Plaintiffs in the suit have claimed to have entered into an agreement for sale for the Disputed Land dated April 17, 2007, with the Defendant (the “**Agreement for Sale**”). Pursuant to the Agreement for Sale, the Defendant agreed to a) obtain permission to sell the Disputed Land from the revenue authority under the Bombay Tenancy and Agricultural Land Act, 1948; and b) sell the Disputed Land to the Plaintiffs for a consideration of ₹ 8,10,000. The Defendant had procured the necessary permission to the sell the Disputed Land from the revenue authority on October 16, 2007 for a period of 1year.The Plaintiffs claim to have paid ₹ 1,00,000 as advance and made the full and final payment to the Defendant on October 29, 2007 pursuant to which the Defendant executed a possession receipt and the physical possession of the Disputed Land was handed over to the Plaintiffs. The Defendant also agreed to execute the sale deed and register the sale deed as early as possible. The Plaintiffs have been in possession of the Disputed Land since October 29, 2007. The Plaintiffs in their suit have claimed that the Defendant has been delaying the execution of the deed of sale of the Disputed Land, which resulted in the lapse of the aforesaid permission obtained by the Plaintiffs, and has instead been trying to take forcible possession of the Disputed Land. The Plaintiffs have prayed before the Court to pass an order restraining the Defendant or any of its agents from creating any interest over the Disputed Land in favour of any third party, to obtain the permission to sell the Disputed Land from the revenue authorities and to execute and register the sale deed of the Disputed Land in favour of the Plaintiffs. The matter is currently pending.

Criminal litigation

- (i) Mr. L Vinay Reddy (the “**Plaintiff**”) has filed a criminal complaint against Mrs. Sindhu Ramesh Patel (the “**Defendant**”) in the Court of Judicial Magistrate First Class under section 420 and 406 of the Indian Penal Code, 1860. The Plaintiffs in the complaint have claimed to have entered into an agreement for sale for the land dated April 17, 2007, with the Defendant (the “**Agreement for Sale**”). Pursuant to the Agreement for Sale, the Defendant agreed to a) obtain permission to sell the Disputed Land from the revenue authority under the Bombay Tenancy and Agricultural Land Act, 1948; and b) sell the Disputed Land to the Plaintiff for a consideration of ₹ 8,10,000. The Defendant had procured the necessary permission to the sell the Disputed Land from the revenue authority on October 16, 2007 for a period of

1 year. The Plaintiff claims to have paid ₹ 1,00,000 as advance and made the full and final payment to the Defendant on October 29, 2007. In its order dated April 8, 2009, the Magistrate has issued instruction for investigations.

5. Litigation related to Group Entities

A) Federal Brands Limited (FBL) (previously known as Microtex India Limited)

(a) Cases filed against Federal Brands Limited

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted against Federal Brands Limited.

Civil litigation

Arbitration Proceedings

- (i) An arbitration proceeding has been initiated between M/s Best Apparels (“**Best**”) and FBL, vide arbitration petition no. 126 of 2009 dated July 22, 2009 (application for appointment of an arbitrator, under section 11 (6) of the Arbitration and Conciliation Act, 1996) in the High Court of Punjab and Haryana. Best in its petitions has claimed it was appointed the C & F agent and distributor for the products manufactured by FBL for the states of Himachal Pradesh, Chandigarh and Haryana pursuant to a memorandum of understanding and an agreement entered into by it with FBL in this regard (the “**Agreement**”). Best claims to have incurred various expenses in relation to promotion of the business and on behalf of respondents in accordance with the Agreement. Best has claimed that FBL has appointed another C & F Agent, thus forcing it to close its business and putting it at a huge loss. Best has claimed a total amount of ₹ 25,00,000, claiming ₹ 1,00,000 for goods which have been rejected by various dealers and returned to FBL; ₹ 19,00,000, being an amount outstanding towards Best for return of rejected goods to FBL earlier; and ₹ 5,00,000 as security deposit deposited by it with FBL at the time of Best’s appointment as C & F agent. The order in the said matter is currently reserved.
- (ii) An arbitration proceeding has been initiated between M/s Prem Narain & Company (through its partner Mr. Prem Narain Gupta) (the “**Appellant**”) and FBL, vide arbitration case no. 18 of 2009 dated December 15, 2008 (application for appointment of an arbitrator, u/s 11 (6) of the Arbitration and Conciliation Act, 1996) in the High Court of Punjab and Haryana. The Appellant was appointed by FBL as its consignee agent in Ludhiana with the task to market the products manufactured by FBL in Ludhiana and Patiala. The Appellant has claimed that FBL has not taken back goods, amounting to ₹ 5,14,715, which have been rejected by various dealers inspite of repeated requests. The matter is currently pending.

Tax litigation

- (i) FBL vide notices dated September 20, 2006 and December 4, 2006 from the Assistant Commissioner III, Special Circle II, Ernakulam was asked to produce books of accounts for verification for assessment for the year 2004 – 2005. FBL further received a notice dated December 30, 2006 (issued under sub rule (5) of rule 6 of CST (Kerala) Rules 1957) from the Assistant Commissioner (Assessment) - III, Special Circle - II, Ernakulam stating that the assessment for the year 2004 – 2005 would be completed on a best judgement basis. FBL filed a reply dated January 12, 2007 requesting time to produce the books of accounts and supporting documents. However, on April 12, 2007 the Assistant Commissioner (Assessment) – III Special Circle – II, Ernakulam issued an *ex parte* assessment order (under section 17 (3) of the Kerala General Sales Tax Act 1963) for the assessment year 2004 - 2005 along with demand notices for ₹ 2,94,113 as central sales tax and ₹ 1,05,881 as interest due thereon along with state sales tax of ₹ 9,57,546 and ₹ 3,44,717 as interest thereon. FBL, aggrieved by the aforesaid *ex parte* assessment order, has filed an appeal before the Deputy Commissioner (Appeals), Ernakulam praying for allowing it

to produce its books of accounts and setting aside of the order dated April 12, 2007. The matter is currently pending.

- (ii) FBL for the year 2003 - 2004 had disclosed a total turnover of ₹ 4,10,64,029 and a taxable turnover of ₹ 3,34,45,293 claiming an exemption of ₹ 76,18,736 under various heads. FBL vide notices dated September 20, 2006 and December 4, 2006 from the Assistant Commissioner (Assessment) - III, Special Circle - II, Ernakulam was asked to produce books of accounts for verification for assessment for the year 2003 - 2004. FBL further received a notice dated December 30, 2006 from Assistant Commissioner (Assessment) - III Special Circle - II, Ernakulam stating that the assessment for the year 2003 - 2004 would be completed on a best judgement basis. FBL filed a reply dated January 12, 2007 requesting the time to produce the books of accounts and supporting documents. However, the Asst. Commissioner (Assessment) - III Special Circle - II, Ernakulam passed an *ex parte* assessment order dated February 28, 2007 along with a demand notice for ₹17,16,646 as central sales tax payable and ₹ 10,29,988 as interest due for the assessment for the year 2003 - 04. FBL has filed an appeal before the Deputy Commissioner (Appeals) Ernakulam against the order of the Asst. Commissioner III, Special Circle II, Ernakulam praying for allowing it to produce its books of accounts and setting aside of the order dated February 28, 2007. The matter is currently pending.
- (iii) FBL for the year 2002 - 2003 had disclosed a total turnover of ₹ 4,50,01,793 and a taxable turnover of ₹ 3,63,44,700 claiming an exemption of ₹ 86,57,073 under various heads. FBL vide notices dated September 20, 2006 and December 4, 2006 from the Assistant Commissioner (Assessment) - III, Special Circle - II, Ernakulam was asked to produce books of accounts for verification for assessment for the year 2002 - 2003. FBL further received a notice dated December 30, 2006 from Assistant Commissioner (Assessment) - III Special Circle - II, Ernakulam stating that the assessment for the year 2003 - 2004 would be completed on a best judgement basis. FBL filed a reply dated January 12, 2007 requesting the time to produce the books of accounts and supporting documents. However, the Asst. Commissioner (Assessment) - III Special Circle - II, Ernakulam passed an *ex parte* assessment order dated February 28, 2007 along with a demand notice for ₹18,47,595 as sales tax payable and ₹ 15,51,980 as interest due for the assessment for the year 2002 - 03. FBL has filed an appeal before the Deputy Commissioner (Appeals) Ernakulam against the order of the Asst. Commissioner III, Special Circle II, Ernakulam praying for allowing it to produce its books of accounts and setting aside of the order dated February 28, 2007. The matter is currently pending.
- (iv) FBL has filed an objection form (in Form DVAT 38) under the Delhi Value Added Tax Act, 2004, to the Additional Commissioner Department of Trade and Taxes. FBL has disputed an imposed additional liability of ₹ 26,38,258 for the year 2005 - 2006. The matter is currently pending.

(b) Legal notices received by Federal Brands Limited

Trade disputes

- (i) FBL received a legal notice from Mandhan Synthetics dated August 20, 2010 in relation to a trade dispute. The claimant has, vide the said notice, claimed an amount of ₹ 1,87,500. No further action has been initiated against FBL in respect of this matter.
- (ii) FBL received a legal notice from Mrs. Rakesh Garg, dated July 31, 2009 in relation to a rent dispute amounting to ₹ 8,07,380 and to which FBL had replied vide letter dated October 30, 2009. No further action has been initiated against FBL in respect of this matter.
- (iii) FBL received a legal notice from M/s Western Traders, dated February 18, 2009, claiming an outstanding amount of ₹ 4,41,026.80 in relation to goods supplied. The company has replied to this notice vide its letter dated March 6, 2009. No further action has been initiated against FBL in respect of this matter.

- (iv) FBL received a legal notice from M/s Emkay Enterprises, dated February 18, 2009, claiming an outstanding amount of ₹ 3,54,949 in relation to goods supplied. The company has replied to the notice vide letter dated March 6, 2009. No further action has been initiated against FBL in respect of this matter.
- (v) FBL has received a legal notice from M/s. Countrywide Holidays Private Limited dated June 4, 2009 claiming ₹ 22,77,810 as amounts payable by FBL towards payment of services procured. The company has not replied to the aforesaid legal notice. No further action has been initiated against FBL in respect of this matter.
- (vi) FBL has received a legal notice from M/s Accurate Bearing Centre, dated June 30, 2008 claiming amount of ₹ 3,63,331.99 in relation to goods supplied. FBL has not filed a reply to the aforesaid legal notice. No further action has been initiated against FBL in respect of this matter.
- (vii) FBL has received a legal notice from M/s AK Steel Industries dated June 4, 2008 claiming an outstanding amount of ₹ 6,32,322 towards supply of machineries and ₹ 13,84, 239 as liability towards sales tax owing to the non-receipt of C Forms in relation to goods supplied. FBL has replied to the said notice vide its reply dated July 15, 2008. No further action has been initiated against FBL in respect of this matter.
- (viii) FBL has received a legal notice from M/s Shree Balaji Outfits, dated September 30, 2010, claiming an outstanding amount of ₹ 1,47,706. The claimants in their notice have claimed that they were appointed as the retailers by FBL, in the city of Abohar, for its goods and for which the retailers had also paid a security amount of ₹ 4,00,000. No further action has been initiated against FBL in respect of this matter.
- (ix) FBL has received a legal notice dated August 29, 2008 from M/s Pamm Advertising and Marketing in relation to trade dispute for an amount of ₹ 2,07,466. The company has not replied to the aforesaid legal notice. No further action has been initiated against FBL in respect of this matter.
- (x) FBL has received a notice from M/s Vijay & Co, dated March 15, 2010 in relation to non payment of ₹ 2,77,114.50 claimed as dues from FBL. No further action has been initiated against FBL in respect of this matter.
- (xi) FBL has received a notice from M/s Mahalasa Export dated September 23, 2010 claiming an amount of ₹ 21,960.60 towards goods supplied. FBL has replied to the said notice vide its letter dated September 25, 2010. No further action has been initiated against FBL in respect of this matter.

Employee disputes

- (i) FBL received a legal notice, dated July 13, 2010, from Mr. Balbir Singh Chandel, an ex-employee of the company. Mr. Chandel was associated with the company as the deputy regional sales manager from December 28, 2007 to August 20, 2008. Mr. Chandel had resigned from the company by giving a month's notice on August 20, 2008. The dispute has arisen in relation to the full and final amount payable to him in relation to his resignation. Mr. Chandel had received a cheque dated October 7, 2008 for an amount of ₹ 41,396 as full and final amount payable. However, he has claimed that the final liability of the company towards his payments is ₹ 69,987. FBL has not filed a reply to the legal notice. No further action has been initiated against FBL with respect to this matter.

(c) Legal cases filed by Federal Brands Limited

Criminal litigation

Criminal complaint

- (i) Criminal complaint (FIR No 109) dated March 14, 2010 was filed by FBL under section 154 of the Criminal Procedure Code, 1973 and sections 419, 420, 406, 120B of the Indian Penal Code, 1860, with Mukherjee Nagar Police Station, Delhi against Mrs. Pushpadevi Jhawar, proprietor of M/s Kuber

Fashions and Mr. Jugal K. Jhawar, husband of Mrs. Pushpadevi Jhawar (the “**Defendants**”). The said complaint was lodged against the Defendants for cheating, criminal breach of trust and criminal conspiracy. FBL in its complaint has claimed that the M/s Kuber Fashions was appointed as the C & F agent for the goods produced by the company. FBL has claimed that it had sent consignments worth ₹ 44 lacs between the months of February 2008 and July 2008 which were duly received by the Defendants. FBL has further claimed that as their duly appointed agent, the Mrs. Jhawar, as proprietor of M/s Kuber Fashions was to hold the goods in trust for FBL, only execute order instructions as authorised by FBL and to collect the moneys due under such order instructions and transfer them to FBL’s account. However, in its complaint FBL has claimed that the Mrs. Jhawar sold the goods delivered to them without the authorisation or knowledge of FBL and have also refused to account for such sales. FBL has further claimed that Mrs. Jhawar has billed all the goods in the name of her husband’s firm and hence her husband is also conniving with her in this matter. The matter is currently pending.

Cases filed under section 138 of the Negotiable Instruments Act, 1882 (the “NI Act”)

- (i) FBL has filed an appeal against Mr. Ashish Kumar Singh, proprietor of M/s. Manish Garments, (the “**Defendant**”) in the High Court of Karnataka at Bangalore (Crl. Petition No. 322/2010) (the “**Appeal**”). The Appeal is filed against the final order dated November 20, 2009 passed by the learned Civil Judge (Junior Division) and JMFC Hoskote (Pcr. No. 58/2008) (the “**Petition**”). FBL had filed the Petition in relation to dishonour of three cheques (each for ₹ 70,000) aggregating to ₹ 2,10,000 issued by the Defendant towards payments of fabrics purchased from FBL. However, the learned judge had dismissed the Petition citing the continuous absence in hearings from the side of FBL. Therefore, the present Appeal has been filed against the order. FBL has claimed that the non prosecution in the Petition was not within its knowledge and has hence filed the Appeal against the order of the learned Civil Judge (Junior Division) and JMFC Hoskote in the Petition. The matter is currently pending.
- (ii) FBL has filed a case against Mr. Ajith Ji Ketkale, proprietor of M/s. Rathanatharaye Textiles (the “**Defendant**”) in the Court of the Civil Judge (Jr. Division) and JMFC at Hoskote, in relation to dishonour of cheque for a sum of ₹ 1,00,000. The cheque was issued by the Defendant as part payment for a job work done by FBL. On dishonour of the cheque, a legal notice was issued to the Defendant on July 25, 2008 requesting payment of the amount due failing which the present case has been filed. The matter is currently pending.
- (iii) FBL has filed a case against M/s Trivani Enterprises and its partners (the “**Defendants**”) in the 10th Metropolitan Magistrates Court at Andheri, Mumbai (Suit no. 2227/Misc/09) in relation to dishonour of cheque for an amount of ₹ 4,49,900, issued by the Defendants. On dishonour of the cheque, a legal notice was issued to the Defendants on December 22, 2008 requesting payment failing which the present case has been filed. The matter is currently pending.
- (iv) FBL has filed a case against M/s Avaneesh Business Private Limited and Another (the “**Defendants**”) in the 63rd Metropolitan Magistrates Court at Andheri, Mumbai (Case No. 2682/SS/9) in relation to dishonour of cheque for an amount of ₹ 2,85,000. The cheque was issued towards the payment of garments bought by the Defendant. On dishonour of the cheque, a legal notice was issued to the Defendant on December 18, 2008 requesting payment failing which the present case was filed. The matter is currently pending.
- (v) FBL has filed a case against Mrs. Shobha Saraf, proprietor of M/s SS Corporation (the “**Defendant**”) in the 63rd Metropolitan Magistrates Court at Andheri, Mumbai, (2226/Misc/09) in relation to dishonour of cheque. The accused bought garments and towards the payment of the same and issued a cheque for ₹ 1,25,000. On dishonour of the cheque, a legal notice was issued to the Defendant on December 18, 2008 requesting payment failing which the present case was filed. The matter is currently pending.
- (vi) FBL has filed a case against M/s Essel Enterprises and its partners (the “**Defendants**”) before the 10th Metropolitan Magistrates Court at Andheri, Mumbai, (Suit no. 2223/Misc/09) in relation to dishonour of cheque amounting to ₹ 1,00,000. The cheque was issued towards the payment of garments bought by the Defendants. On dishonour of the cheque, a legal notice was issued to the Defendants on December 18, 2008 requesting payment failing which the present case was filed. The matter is currently pending.

- (vii) FBL has filed a case against Mr. Piyush Modi, proprietor of M/s Amulsons Corporation (the **“Defendant”**) in the 10th Metropolitan Magistrates Court at Andheri, Mumbai, (360/SS/2009) in relation to dishonour of cheque for an amount of ₹ 1,94,000. The cheque was issued towards the payment of garments supplied to the Defendant. On dishonour of the cheque, a legal notice was issued to the accused on December 29, 2009 requesting payment of the amount due failing which the present case was filed. The matter is currently pending.
- (viii) FBL has filed a case against Mr. Dharmesh Kumar Jain, proprietor of M/s Deekay Enterprises (the **“Defendant”**) in the 10th Metropolitan Magistrates Court at Andheri, Mumbai, (14618/SS/2009) in relation to dishonour of cheque for an amount of ₹ 4,18,370. The cheque was issued towards the payment of garments bought by the Defendant. On dishonour of the cheque, a legal notice was issued to the accused on November 16, 2009 requesting payment of the amount due failing which the present case was filed. The matter is currently pending.
- (ix) FBL has filed a case against Mr. Dharmesh Kumar Jain, proprietor of M/s Deekay Enterprises (the **“Defendant”**) in the 10th Metropolitan Magistrates Court at Andheri, Mumbai, (14619/SS/2009) in relation to dishonour of cheque for an amount of ₹ 7,01,728. The cheque was issued towards the payment of garments bought by the Defendant. On dishonour of the cheque, a legal notice was issued to the Defendant on November 16, 2009 requesting payment of the amount due failing which the present complaint was filed. The matter is currently pending.
- (x) FBL has filed a case against Mr. Dharmesh Kumar Jain, proprietor of M/s Deekay Enterprises (the **“Defendant”**) before the 10th Metropolitan Magistrates Court at Andheri, Mumbai (14883/SS/2009) in relation to dishonour of cheque for an amount of ₹ 6,31,369. The cheque was issued towards the payment of garments bought by the Defendant. On dishonour of the cheque, a legal notice was issued to the Defendant on November 24, 2009 requesting payment of the amount due and failing which the complaint was filed. The matter is currently pending.
- (xi) FBL has filed a case against Mr. Vineet Rampuria, proprietor M/s. VR Marketing (the **“Defendant”**) before the 10th Metropolitan Magistrates Court at Andheri, Mumbai (14617/SS/2009) in relation to dishonour of cheque for an amount of ₹ 1,11,800. The cheque was issued towards the payment of garments bought by the Defendant. On dishonour of the cheque, a legal notice was issued to the Defendants on November 16, 2009 requesting payment of the amount due failing which the present complaint was filed. The matter is currently pending.
- (xii) FBL has filed a case against Mr. B.S. Venkatesh (the **“Defendant”**) in the 10th Metropolitan Magistrates Court at Andheri, Mumbai (No. 4380/SS/08). The Defendant had pursuant to a memorandum of understanding dated June 24, 2008 (the **“MoU”**) purchased the textile and processing unit of FBL operated at plot no. 33A, 33 part and 34C of the Karnataka Industrial Area Development Board (KIADB) located at Hosakote, Bangalore Rural District, Karnataka together with the goodwill and the freehold premises of 33A, 33 part and 34C aforesaid for a total consideration of ₹ 36,00,00,000 (Rupees Thirty Six crores). The Defendant issued a cheque in favour of FBL for an amount of ₹ 1,00,00,099 (Rupees one crore and ninety nine) as part consideration pursuant to the MoU. On dishonour of the cheque, a legal notice was issued to the Defendant on September 13, 2008 for the payment of dues failing which the present criminal complaint was filed. Subsequently arrest warrants dated January 18, 2010 and September 2, 2010 were issued against the Defendant. The matter is currently pending.
- (xiii) FBL has filed a case against Mr. Ashok D’Souza (the **“Defendant”**) before the 12th Additional Chief Metropolitan Magistrates Court at Bangalore (5147/2009) in relation to dishonour of cheque for an amount of ₹ 2,00,000. The cheque was issued towards the payment of garments bought by the Defendant. On dishonour of the cheque, a legal notice was issued to the Defendant on October 17, 2008 requesting payment of the amount due failing which the present complaint was filed. The matter is currently pending.

Civil litigation

- (i) FBL has filed a case with the Co-operative Court at Ballard Pier, Mumbai, (CC No. 268 of 2010) under sections 91 to 96 of the Maharashtra Co-operative Societies' Act, 1960 against Guru Govind Singh Industrial Premises Society Limited (the "**Respondent Society**"). FBL is the owner of premises no. 303 and 304 of Guru Govind Singh Industrial Estate and is also a member of the Respondent Society. FBL together with its sister concern Aadhunik Vitharak and M/s Gomma Industries had purchased the third floor of the Respondent Society together with the adjoining terraces thereto. The Respondent Society has claimed that the aforesaid terraces are "common terraces" whereas FBL has claimed that the terraces were exclusively sold to itself, Aadhunik Vitharak and M/s Gomma Industries by the builder M.s Indo Saigon Agency. FBL in its complaint has claimed that the Respondent Society have employed pressure tactics to force FBL, Aadhunik Vitharak and M/s Gomma Industries to surrender the aforesaid terraces to it by not providing the required services to itself. FBL has also claimed that the Respondent Society has not allowed it to enjoy its rights and privileges as a member and did not allow it to carry out legally permissible repairs at its premises and has been obstructing such repairs. FBL has therefore prayed before the Co-operative Court to order the Respondent Society to allow legally permissible repairs at the premises and honour the rights of FBL as a member of the Respondent Society. FBL has also prayed for issue of injunctions against the Respondent Society. The matter is currently pending.
- (ii) FBL has filed an application with the Deputy Registrar of Co-operative Societies, South Ward, Mumbai, dated March 12, 2010 for issuing necessary directions to Guru Govind Singh Industrial Premises CHS Limited (the "**Respondent Society**"). FBL is the owner of premises no. 303 and 304 of Guru Govind Singh Industrial Estate and is also a member of the Respondent Society. FBL in its application has claimed that the premises occupied by them are in extreme need of repairs and even after numerous requests the Respondent Society has overlooked the matter and that the office bearers of the Respondent Society did not allow it to carry out legally permissible repairs at its premises and have been obstructing such repairs. Vide an order dated October 13, 2010, the Registrar has appointed an administrator to oversee the day to day activities of the Respondent Society for a period of six months. The matter is currently closed for order.
- (iii) FBL has filed a case against Ramesh Jain & Another (the "**Defendant**") in the High Court of Judicature at Bombay (Summary Suit No. 3192/2010) for an amount of ₹ 95,030 plus interest claimed as dues. FBL has claimed to have paid the said amounts towards security deposit for a shop to be constructed by the Defendants in Thane. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The High Court had issued summons on January 15, 2011. The matter is currently pending.
- (iv) FBL has filed a case against Raipur Entertainment World Private Limited (the "**Defendant**") in the Bombay City Civil Court at Dindoshi, Bombay (Summary Suit No. 754/2010) for an amount of ₹ 34,800 plus interest claimed as dues. FBL has claimed that it has paid the said amounts as a security deposit for a shop to be constructed by the Defendants in Indore. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The summons have been issued by the court. The matter is currently pending.
- (v) FBL has filed a case against Sancity Projects Private Limited (the "**Defendant**") in the High Court of Judicature at Bombay (Suit No. 3184/2010) for an amount of ₹ 96,840 plus interest claimed as dues. FBL has claimed to have paid the said amount towards security deposit for a shop to be constructed by the Defendants in Jaipur. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The High Court had issued summons on January 15, 2011. The matter is currently pending.
- (vi) FBL has filed a case against Sancity Projects Private Limited (the "**Defendant**") in the High Court of Judicature at Bombay (Suit No. 3185/2010) for an amount of ₹ 55,584 plus interest claimed as dues. FBL has claimed to have paid the said amount towards security deposit for a shop to be constructed by the Defendant in Jaipur. FBL has claimed that since the mall, in which the shop was to be constructed, was

not finished in time it has demanded the repayment of the security deposit from the Defendant. The High Court had issued summons on January 15, 2011. The matter is currently pending.

- (vii) FBL has filed a case against Satra Properties India Limited (the “**Defendant**”) in the High Court of Judicature at Bombay (Summary Suit No. 2047/2010) claiming an amount of ₹ 1,01,760 plus interest claimed as dues. FBL has claimed to have paid the said amount towards security deposit for a shop to be constructed by the Defendant in Mumbai. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The summons has been served on the Defendant. The Defendant is yet to file a reply to the summons. The matter is currently pending.
- (viii) FBL has filed a civil suit against M/s Moonlight Transformers and its partners (the “**Defendants**”), in the High Court of Judicature at Bombay (Suit No. 2770 of 2006). FBL had placed a purchase order with the Defendants for a transformer, for its factory in Bangalore, at an agreed price of ₹ 10,25,000. FBL has also claimed that it has paid 20% of the total purchase price in advance. FBL has claimed that the Defendants have failed in their duty to provide the transformer within the agreed time period and have demanded an additional amount of ₹ 2,50,000 as escalation of costs. FBL has therefore filed the suit claiming breach of contract and compensation of ₹ 22,32,000 towards losses incurred by it as a result of the delay caused by the Defendant. FBL has further claimed a sum of ₹ 7,44,000 from the date of the suit till the date of realisation. The matter is currently pending before the court.
- (ix) FBL has filed a case against Entertainment World Jabalpur Private Limited (the “**Defendant**”) in the Bombay City Civil Court at Dindoshi (Summary Suit No. 755/2010) claiming an amount of ₹ 36,834 plus interest claimed as dues. FBL has claimed to have paid the said amount towards security deposit for a shop to be constructed by the Defendant in Jabalpur. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The matter is currently pending.
- (x) FBL has filed a case against Raipur Entertainment World Private Limited (the “**Defendant**”) in the High Court of Judicature at Bombay (Suit No. 3193/2010) for an amount of ₹ 57,680 plus interest claimed as dues. FBL has claimed to have paid the said amount towards security deposit for a shop to be constructed by the Defendant in Mumbai. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The High Court had issued summons on January 15, 2011. The matter is currently pending.
- (xi) FBL has filed a suit against Ansal Township & Projects Limited (the “**Defendant**”), in the Bombay City Civil Court at Dindoshi, Bombay, (Summary Suit No. 756 / 2010_ for an amount of ₹ 49,125 plus interest claimed as dues. FBL has claimed to have paid the said amount towards security deposit for a shop to be constructed in New Delhi. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. The matter is currently pending.

Arbitration Proceedings

- (i) FBL had issued a legal notice issued to M/s SK Trading (the “**Defendant**”) dated July 13, 2010 in relation to a trade dispute valued at ₹ 8,59,047.55 and non receipt of Form F for a sum of ₹ 30,02,840. FBL has claimed that the Defendant was; pursuant to a consignment agreement dated April 14, 2008, appointed as a consignee agent for the territory of Rajasthan and the amount claimed in the aforesaid notice are dues payable to FBL towards payment of goods received by the Defendants in course of business. FBL has also asked the Defendant to send the aforesaid Form F. FBL, in terms of the aforesaid consignment agreement, has vide letter dated September 24, 2010 appointed Mr. Manoj Dalvi, advocate as the sole arbitrator in respect of the said matter. The matter is currently pending.
- (ii) FBL had issued a legal notice issued to M/s Durga Electronics (the “**Defendant**”) dated July 13, 2010 in relation to a trade dispute valued at ₹ 9,59,000.70 and non receipt of Form F for a sum of ₹ 14,40,946.

FBL has claimed that the Defendant was; pursuant to a consignment agreement dated April 14, 2008, appointed as a consignee agent for the territory of Rajasthan and the amount claimed in the aforesaid notice are dues payable to FBL towards payment of goods received by the Defendants in course of business. FBL has also asked the Defendant to send the aforesaid Form F. FBL has vide letter dated September 24, 2010 FBL, in terms of the aforesaid consignment agreement, appointed Mr. Manoj Dalvi, advocate as the sole arbitrator in respect of the said matter. The matter is currently pending.

Consumer dispute

- (i) FBL has filed a complaint with the Consumer Redressal Forum at Bandra, Mumbai, (CC No. 468 of 2010) under section 15 of the Consumer Protection Act, 1986 against Guru Govind Singh Industrial Premises Society Limited (the “**Respondent Society**”). FBL is the owner of premises no. 303 and 304 of Guru Govind Singh Industrial Estate and is also a member of the Respondent Society. FBL together with its sister concern Aadhunik Vitharak and M/s Gomma Industries had purchased the third floor of the Respondent Society together with the adjoining terraces thereto. The Respondent Society has claimed that the aforesaid terraces are “common terraces” whereas FBL has claimed that the terraces were exclusively sold to itself, Aadhunik Vitharak and M/s Gomma Industries by the builder M.s Indo Saigon Agency. FBL in its complaint has claimed that the Respondent Society have employed pressure tactics to force FBL, Aadhunik Vitharak and M/s Gomma Industries to surrender the aforesaid terraces to it by not providing the required services to itself. FBL has also claimed that the Respondent Society has not allowed it to enjoy its rights and privileges as a member and did not allow it to carry out legally permissible repairs at its premises and has been obstructing such repairs. FBL has claimed an amount of ₹ 11,62,500 for deficiency in services. The matter is currently pending.

(d) Legal notices issued by Federal Brands Limited

- (i) FBL has issued a legal notice to SS Techno Services Private Limited (the “**Defendant**”) dated March 19, 2010 in relation to a trade dispute. FBL claimed that it had procured an multiple effect evaporation system for processing effluent for zero discharge (the “**System**”) from the Defendant for its plant at Bangalore for a consideration of ₹ 74,38,912. In its notice to the Defendant, FBL has claimed that the System installed by the Defendant is substandard and has not been functioning as per the specifications and that the Defendant have failed to rectify the System. FBL has also claimed to have suffered substantial production losses due to the defective System and has therefore called upon the Defendant to pay a sum of ₹ 161.57 lacs, towards the price of the System, costs incurred in installation and commissioning of the System and the production losses suffered by FBL. No further action has been taken by FBL in respect of this matter.
- (ii) FBL has issued a legal notice to Innovative Multiplex (the “**Defendant**”) dated November 14, 2009 for re-payment of an amount of ₹ 44,275. FBL has claimed payment of the said amount towards an advance payment of security deposit for a shop in the mall to be constructed by Innovative Multiplex. FBL has claimed that since the mall, in which the shop was to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. No further action has been taken by FBL in respect of this matter.
- (iii) FBL has issued a legal notice to Omaxe Limited (the “**Defendant**”) dated October 13, 2009 for an amount of ₹ 1,86,750 claimed as dues. FBL has claimed making payment of the said amount towards advance payment of security deposit for two shops to be constructed at Wedding Mall, Plot No 3/26, Bye Pass Road, Agra. FBL has claimed that since the mall, in which the shops were to be constructed, was not finished in time it has demanded the repayment of the security deposit from the Defendant. No further action has been taken by FBL in respect of this matter.
- (iv) FBL has issued a legal notice dated October 13, 2010 to Intime Promoters Private Limited (the “**Defendant**”) for an amount of ₹ 46,269 claimed as dues. FBL has claimed payment of the said amount towards advance payment of security deposit for a shop to be constructed at TDI Mall, Mundli Sonapet. FBL has claimed that since the mall, in which the shops were to be constructed, was not finished in time

it has demanded the repayment of the security deposit from the Defendant. No further action has been taken by FBL in respect of this matter.

B) Hype Integracomm Private Limited (HIPL)

(a) Cases filed against Hype Integracomm Private Limited

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted against HIPL.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted against HIPL.

(b) Cases filed by Hype Integracomm Private Limited

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by HIPL

Civil litigation

- (i) HIPL has filed a writ petition in the High Court of Karnataka at Bangalore against the Commissioner of Bruhath Bengaluru Mahanagara Palika (“**BBMP**”) and BBMP (Writ Petition No. 3650/2009). HIPL was awarded a tender by the BBMP to maintain Nirmala toilets at 126 locations all over Bangalore. Pursuant to an agreement dated July 5, 2008, HIPL paid a security deposit of ₹ 5,00,000 and a license fee of ₹ 16,83,000 to the BBMP. HIPL has claimed that it was not handed over possession of several Nirmala toilets and that it had made several representations to the BBMP in this regard. HIPL was further issued a shown cause notice threatening termination of the aforesaid agreement. HIPL has claimed that despite its representation BBMP has arbitrarily proceeded to terminate the agreement and has forfeited the amounts paid under the agreement arbitrarily and without any explanation to HIPL. HIPL has prayed for the issue of writs of mandamus and certiorari in respect of this matter. The matter is currently pending.
- (ii) HIPL has initiated a civil suit in the High Court of Karnataka at Bangalore against the Commissioner of BBMP and BBMP (the “**Respondents**”) (Writ Petition No. 11154-56/2010). HIPL and the Respondent had entered into 3 agreements dated May 29, 2008 for grant of construction, maintenance and advertising rights of 131 bus shelters across Bangalore. HIPL had faced problems with certain sites handed over to it by the Respondents. The Respondents had subsequently replaced the sites twice with new sites. HIPL has claimed that the Respondents had not issued work orders for the new sites. HIPL has claimed that the license granted pursuant to the aforesaid agreements was initially for a period of 11 months from the date of completion of the shelters and was to be renewed for a period of 49 months on satisfactory completion. HIPL has further claimed that despite repeated requests the Respondent has not extended the agreement while it has already made an advance payment of ₹ 1,47,99,936 for all 131 sites. HIPL has claimed that it had satisfactorily completed works for 90 bus shelters and that the Respondent was bound to allot the balance sites. HIPL has prayed before the court to declare the directions of the Respondents as violative of Article 14 and 19(1)(g) of the Constitution of India. HIPL has prayed for the issue of writs of mandamus in respect of this matter. The matter is currently pending.

(a) Legal notices issued by Hype Integracomm Private Limited

- (i) HIPL has issued a legal notice dated October 21, 2009 to Sheetal Arch Restaurants Private Limited (the “**Defendant**”). HIPL in its notice has claimed to have had entered into a deed of assignment of marketing rights (the “**Agreement**”) with the Defendant and vide which the Defendant had transferred all of its marketing and branding rights alongwith all rights, title and interests in relation to various properties to HIPL. The Agreement was initially for a period of 12 months and which was later extended by HIPL for

another 3 years. HIPL has further claimed to have made a payment of ₹ 17,50,000 as their share of costs to be jointly incurred under the Agreement. HIPL has claimed the Defendant had falsely represented to it that the underlying agreement with Greater Mumbai Milk Scheme was still valid till end of August 2008 whereas the said underlying agreement expired on February 28, 2008. HIPL has claimed that based on the representation made by the Defendant, it had entered into agreements with various clients and as a result suffered losses to the extent of ₹ 3,71,00,000. No further action has been taken by HIPL in respect of this matter.

- (ii) HIPL has issued a legal notice dated March 25, 2010 to Bangalore Metropolitan Transport Corporation (“BMTC”) requesting payment of amounts due. HIPL has asked BMTC to (a) pay a sum of ₹ 3,65,05,350 as losses of income suffered along with a 18% per annum rate of interest; (b) refund a sum of ₹ 12,15,024 being the excess rent paid to BMTC; (c) release the bank guarantee of ₹ 4,36,800; and (d) pay ₹ 81,42,640 for grab handles and take delivery of the stock. HIPL had initially filed a writ petition before the Hon’ble High Court of Karnataka (WP 21409-21411/2009) and which was subsequently withdrawn with liberty to file civil suit. HIPL has claimed BMTC had entered into an agreement dated July 25, 2007 for supply, installation and maintenance of grab handles in 4,000 BMTC buses with advertising rights with M/s Admire Sign and Display Private Limited. HIPL was subsequently allowed to carry out the aforesaid work pursuant to BMTC’s letter dated January 29, 2008. However vide a letter dated June 22, 2009 BMTC terminated the aforesaid agreement, without assigning any reasons whatsoever, after HIPL had carried out the installation of grab handles on over 915 buses and delivered 7,600 grab handles to the BMTC. No further action has been taken by HIPL in respect of this matter.

C) Aadhunik Vitharak (“Aadhunik”)

(a) Cases filed against Aadhunik Vitharak

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted against Aadhunik.

Civil litigation

As on the date of the Red Herring Prospectus no civil litigations have been instituted against Aadhunik.

(b) Cases filed by Aadhunik Vitharak

Criminal litigation

As on the date of the Red Herring Prospectus no criminal litigations have been instituted by Aadhunik.

Civil litigation

- (i) Aadhunik has filed a case with the Co-operative Court at Ballard Pier, Mumbai, (CC No. 267 of 2010) under sections 91 to 96 of the Maharashtra Co-operative Societies’ Act, 1960 against Guru Govind Singh Industrial Premises Society Limited (the “**Respondent Society**”). Aadhunik is the owner of premises no. 305 and 306 of Guru Govind Singh Industrial Estate and is also a member of the Respondent Society. Aadhunik together with its sister concern M/s Gomma Industries and Federal Brands Limited had purchased the third floor of the Respondent Society together with the adjoining terraces thereto. The Respondent Society has claimed that the aforesaid terraces are “common terraces” whereas Aadhunik has claimed that the terraces were exclusively sold to itself, M/s Gomma Industries and Federal Brands Limited by the builder M/s Indo Saigon Agency. Aadhunik has claimed that the Respondent Society have employed pressure tactics to force Aadhunik, M/s Gomma Industries and Federal Brands Limited to surrender the aforesaid terraces to it by not providing the required services to itself. Aadhunik has also claimed that the Respondent Society has not allowed it to enjoy its rights and privileges as a member and did not allow it to carry out legally permissible repairs at its premises and has been obstructing such

repairs. Aadhunik has therefore prayed before the Co-operative Court to order the Respondent Society to allow legally permissible repairs at the premises and honour the rights of Aadhunik as a member of the Respondent Society. Aadhunik has also prayed for issue of injunctions against the Respondent Society. The Co-operative Court at Ballard Pier, Mumbai had passed an order in favor of Aadhunik. However the Respondent Society has filed an appeal against the said order. The matter is currently pending.

- (ii) Aadhunik has filed an application with the Deputy Registrar of Co-operative Societies, South Ward, Mumbai, dated March 12, 2010 for issuing necessary directions to Guru Govind Singh Industrial Premises CHS Limited (the “**Respondent Society**”). Aadhunik is the owner of premises no. 305 and 306 of Guru Govind Singh Industrial Estate and is also a member of the Respondent Society. Aadhunik in its application has claimed that the premises occupied by them are in extreme need of repairs and even after numerous requests the Respondent Society has overlooked the matter and that the office bearers of the Respondent Society did not allow it to carry out legally permissible repairs at its premises and have been obstructing such repairs. Vide an order dated October 13, 2010, the Registrar has appointed an administrator to oversee the day to day activities of the Respondent Society for a period of six months. The matter is currently closed for order.

Consumer dispute

- (i) Aadhunik has filed a complaint with the Consumer Redressal Forum at Bandra, Mumbai, (CC No. 467 of 2010) under section 15 of the Consumer Protection Act, 1986 against Guru Govind Singh Industrial Premises Society Limited (the “**Respondent Society**”). Aadhunik is the owner of premises no. 305 and 306 of Guru Govind Singh Industrial Estate and is also a member of the Respondent Society. Aadhunik together with its sister concern M/s Gomma Industries and Federal Brands Limited had purchased the third floor of the Respondent Society together with the adjoining terraces thereto. The Respondent Society has claimed that the aforesaid terraces are “common terraces” whereas Aadhunik has claimed that the terraces were exclusively sold to itself, M/s Gomma Industries and Federal Brands Limited by the builder M/s Indo Saigon Agency. Aadhunik in its complaint has claimed that the Respondent Society have employed pressure tactics to force Aadhunik, M/s Gomma Industries and Federal Brands Limited to surrender the aforesaid terraces to it by not providing the required services to itself. Aadhunik has also claimed that the Respondent Society has not allowed it to enjoy its rights and privileges as a member and did not allow it to carry out legally permissible repairs at its premises and has been obstructing such repairs. Aadhunik has claimed an amount of ₹ 11,62,500 for deficiency in services. The matter is currently pending.

D) Technit Industries

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Technit Industries.

E) Bellini Fashions Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Bellini Fashions Private Limited.

F) Strategy Games Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Strategy Games Private Limited.

G) Holstein Ecofoods Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Holstein Ecofoods Private Limited.

H) La Reine Fashions Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against La Reine Fashions Private Limited.

I) Reddy and Pathare Elastics Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Reddy and Pathare Plastics Private Limited.

J) Vinay Hosiery Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Vinay Hosiery Private Limited.

K) Lovable Lifestyles Private Limited

As on the date of the Red Herring Prospectus no litigations have been instituted by or against Lovable Lifestyles Private Limited.

Details of the past penalties imposed on our Group Entities

As on the date of the Red Herring Prospectus, no penalties have been imposed on any of our Group Entities.

Amount owed to Small Scale Undertakings or creditors

There are no amounts owed to small scale industries exceeding ₹ 1 lac for a period of more than 1 month by our Company.

Material Developments

Except as stated in the chapter titled “*Management’s Discussions and Analysis of Financial Condition and Results of Operations*” on page 208 of the Red Herring Prospectus, in the opinion of our Board, there have not arisen, since the date of the last balance sheet date, that is, March 31, 2010, disclosed the Red Herring Prospectus, any circumstances which materially and adversely affect or are likely to affect our profitability taken as a whole or the value of its assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the GoI and various government agencies required for our present business and carrying on our business activities. Further, except as mentioned herein below, our Company has not yet applied for any licenses, consents, permissions and approvals for the proposed activities as contained in the chapter titled “*Objects of the Issue*” on page 66 of the Red Herring Prospectus. It must be distinctly understood that, in granting these approvals, the GoI does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

A) APPROVALS IN RELATION TO OUR COMPANY’S INCORPORATION AND CHANGE OF NAME

- Certificate of incorporation, dated September 29, 1987, bearing Registration No. MH-44835 of 1987, issued by the RoC, pursuant to the Companies Act, incorporating our Company as ‘Hybo Knit Private Limited’;
- Fresh certificate of incorporation consequent upon change of name dated December 20, 1995, pursuant to the Companies Act, issued by the RoC, for the change of name of our Company from ‘Hybo Knit Private Limited’ to ‘Lovable Lingerie Private Limited’;
- Fresh certificate of incorporation dated April 19, 2010, pursuant to the Companies Act, issued by the RoC pursuant to the conversion of our Company from a private limited company to a public limited company resulting in change of the name of our Company from ‘Lovable Lingerie Private Limited’ to ‘Lovable Lingeries Limited’.

B) APPROVALS FOR THE ISSUE

- Our Board of Directors has, pursuant to a resolution passed at its meeting held on June 15, 2010, authorised the Issue, subject to the approval by the shareholders of our Company under Sec. 81(1A) of the Companies Act.
- Our shareholders have, pursuant to a resolution dated July 8, 2010, under Sec. 81(1A) of the Companies Act, authorised the Issue.
- The Board of Directors has, pursuant to its resolution dated November 13, 2010 approved the Draft Red Herring Prospectus to be filed with SEBI.
- The Board of Directors has, pursuant to its resolution dated February 23, 2011 approved the Red Herring Prospectus to be filed with RoC.
- In-principle approval from the NSE dated February 04, 2011.
- In-principle approval from the BSE dated December 02, 2010.

C) APPROVALS IN RELATION TO OUR BUSINESS

We have branch offices at Hyderabad (Andhra Pradesh), Mumbai (Maharashtra), Delhi, Kolkata (West Bengal), Chennai (Tamil Nadu) and manufacturing facilities at Bangalore (Karnataka) and Roorkee (Uttarakhand) (hereinafter collectively referred to as “**Business Locations**” or “**our Business Locations**”). We are required to obtain various approvals/licenses/registrations with several central and state authorities and other regulatory authorities with respect to each of our Business Locations. Set forth below is a summary of approvals/licenses/registrations obtained or applied for to conduct our business in the aforementioned Business Locations:

Registrations with Central tax authorities*

- Our Company has been allotted PAN AAACL1016G.
- Our Company has been allotted TAN MUML04726B.

Registrations/Approvals/Licenses in relation to our branches

Hyderabad branch

- VAT Registration Certificate dated March 26, 2005, bearing Registration No. 28510201905, issued by the Commercial Tax Officer, Commercial Taxes Department, under the Andhra Pradesh Value Added Tax Act, 2005, valid with effect from April 01, 2005*.
- Registration Certificate dated April 18, 2002, bearing Registration No. SEC/05/01/3255/2002-03, issued by the Office of the Deputy Commercial Tax Officer, Commercial Taxes Department, under the CST Act, valid with effect from October 01, 1998*.
- Registration Certificate No. A1017 / Hyd / 955 / 2010 issued by the Assistant Labour Officer, Circle 17, Hyderabad under the Andhra Pradesh Shops and Establishment Act, 1988.

Mumbai branch

- Registration Certificate dated December 05, 1996, bearing Registration No. 400093/C/2238, issued by the Sales Tax Officer (Registration), Sales Tax Department, Maharashtra, under the CST Act, valid with effect from December 04, 1996*.
- Registration Certificate dated April 01, 2006, bearing TIN No. 27050007535 C, issued by the Registration Officer, Sales Tax Department, Maharashtra, under the CST Act*.
- Registration Certificate dated April 01, 2006, bearing TIN No. 27050007535 V, issued by the Registration Officer, Sales Tax Department, under the Maharashtra Value Added Tax Act, 2002*.
- Registration Certificate dated February 04, 2011 bearing Registration No. 760123213 / Commercial II Ward KE, issued by the Office of the Inspector, under the Bombay Shops and Establishments Act, 1948. The registration certificate is valid till December 31, 2012.

Delhi branch

- Registration Certificate dated December 07, 2003, bearing TIN LC/093/07470247806/1201, issued by the Sales Tax Officer under the Delhi Value Added Tax Act, 2004, in lieu of the earlier Sales Tax Registration No. LC/093/7700247806/1201*.
- Registration Certificate dated April 08, 2002, bearing Registration No. LC/093/7700247806/1201, issued by the Sales Tax Officer, under the CST Act*.
- Registration Certificate dated September 18, 2002, bearing Registration No. DL-322/Mys, issued by the Regional Office, ESIC, under the ESI Act*.
- Registration Certificate dated November 10, 2010, bearing Registration No. 2010022741, under the Delhi Shops and Establishments Act, 1954, has been granted by Department of Labour, Government of National Capital Territory of Delhi.

Kolkata branch

- Registration Certificate dated December 29, 2009, bearing Registration No. 19401268082, issued by the Joint Commissioner, Sales Tax, under the West Bengal Value Added Tax Act, 2003, valid with effect from April 01, 2005*.
- Registration Certificate dated June 14, 1999, bearing Registration No. BE/2237, issued by the Office of the Deputy Commissioner, Commercial Taxes, under the West Bengal Sales Tax Act, 1994*.
- Registration Certificate dated January 22, 2010, bearing Registration No. 19401268276, issued by the Sales Tax Officer, under the CST Act*.
- Certificate of Enlistment bearing License No. 203507000135, issued by the Kolkata Municipal Corporation (License Department). The Certificate of Enlistment is valid up to March 31, 2011.
- Registration Certificate dated October 20, 2010, bearing Registration No. Kol/Nark/P-11/47248, issued by the Office of the Chief Inspector, Shops and Establishments, Government of West Bengal, under the West Bengal Shops and Establishments Act, 1963.

Chennai branch

- Registration Certificate dated January 04, 2007, bearing TIN No. 33200862845, issued by the Commercial Tax Officer, under the Tamil Nadu Value Added Tax Act, 2006, valid with effect from January 01, 2007*.
- Registration Certificate dated February 25, 2005, bearing Registration No. CST 839116/22.2.05, issued by the Commercial Tax Officer, under the CST Act, valid with effect from February 22, 2005*.
- Registration Certificate issued under the Tamil Nadu Industrial Establishments (National and Festival Holidays) Act, 1958.

Registrations/Approvals/Licenses in relation to our manufacturing facilities

Daisy Dee Division, Bengaluru

- Trade License Certificate dated February 29, 2008, bearing Trade License No. 66-07.08, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Trade License Certificate dated April 04, 2008, bearing Trade License No. 90-08.09, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Trade License Certificate dated April 04, 2008, bearing Trade License No. 91-08.09, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Trade License Certificate dated April 04, 2008, bearing Trade License No. 92-08.09, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Trade License Certificate dated April 04, 2008, bearing Trade License No. 93-08.09, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Registration Code No. KN/26581 issued vide letter dated October 14, 2004, by the Assistant Provident Fund Commissioner, EPFO, under the EPF Act, is valid with effect from May 11, 2004*.
- Registration Certificate dated December 27, 2004, bearing Registration No. 53-16218-102, issued by the Regional Office, ESIC, under the ESI Act*.

- Registration Certificate dated May 09, 2005, bearing Registration No. (GTA)/ AAACL1016GST001 and Service Tax Code No. AAACL1016GST001, issued by the Superintendent of Service Tax, Service Tax Commissionerate, under Sec. 69 of the Finance Act, 1994*.
- Registration under the Factories Act, 1948.

Pending Applications

- Renewal application dated January 1, 2011, has been filed with the Karnataka State Pollution Control Board, for consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981.

Lovable Division, Bengaluru

- Trade License Certificate, bearing Trade License No. 150-08.09, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Trade License Certificate dated April 08, 2008, bearing Trade License No. 97-08.09, issued by Bruhat Bangalore Mahanagara Palike is valid up to March 31, 2011.
- Registration Certificate dated February 10, 1999, bearing Registration No. 53-16218-102, issued by the Regional Office, ESIC, under the ESI Act*.
- Registration Certificate dated February 24, 1998, bearing Registration No. KN/23378, issued by the Regional Office, EPFO, under the EPF Act*.
- Registration Certificate dated April 06, 2003, bearing provisional VAT Registration No. 29700138143, issued by the Commercial Taxes Department, under the Karnataka Value Added Tax, 2003, valid with effect from April 01, 2003. The same provisional VAT Registration No. 29700138143 has been allotted to our Company as the final VAT registration number*.
- CST Registration No. 29700138143 has been issued by the Commercial Taxes Department with effect from April 01, 2005*.
- Registration Certificate dated May 30, 1996, bearing Registration No. 2601224-8, issued by the Profession Tax Officer, under the Karnataka Tax on Professions, Traders, Calling and Employment Act, 1976, valid with effect from April 01, 1996*.
- Registration Certificate dated April 27, 2005, bearing Registration No. (GTA)/AAACL1016GST002 and Service Tax Code No. AAACL1016GST002, issued by the Superintendent of Service Tax, Service Tax Commissionerate, under Sec. 69 of the Finance Act, 1994*.
- Registration under Factories Act, 1948.

Pending Applications

- Renewal application dated January 25, 2011, has been filed with the Karnataka State Pollution Control Board, for consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981.

Lovable Division (earlier operating as Vanity Fair Division)

- Registration Certificate dated January 22, 2007, bearing Registration No. P07-P0735-B, issued by the Profession Tax Officer, under the Karnataka Tax on Professions, Traders, Calling and Employment Act, 1976*.

- Registration Certificate dated March 21, 2007, bearing Registration No. 53-19193-18, issued by the Regional Office, ESIC, under the ESI Act*.
- Registration Certificate dated October 10, 2002, bearing Registration No. KN/25648, issued by the Regional Office, EPFO, under the EPF Act*.
- Registration under Factories Act, 1948.

Pending Applications

- Renewal application dated January 25, 2011, has been filed with the Karnataka State Pollution Control Board, for consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981.

Uttarakhand manufacturing unit

- Registration under the Factories Act, 1948.
- Acknowledgment Letter dated January 19, 2010, bearing Entrepreneurs Memorandum No. 050131201367, issued by the District Industries Centre, Roorkee (Hardwar), under the Micro, Small & Medium Enterprises Development Act, 2006*.
- Registration Certificate dated May 18, 2010, bearing Registration No. 61-00-001735-000-0199, issued by the Regional Office, ESIC, under the ESI Act*.
- Consent to establish industry, bearing Order No. CTE/0410, granted by the Uttarakhand Environment Protection & Pollution Control Board vide letter dated March 11, 2010. The Consent Letter is valid for a period of one year.
- Consent Order dated June 30, 2010, bearing Order No. AW-10859, for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974, and emissions under the Air (Prevention and Control of Pollution) Act, 1981, for the period from June 16, 2010 to March 31, 2011, issued by the Uttarakhand Environment Protection & Pollution Control Board.
- Registration Certificate dated February 10, 2010, bearing Registration No. 05009650652, issued by the Department of Commercial Tax, under the Uttarakhand Value Added Tax Act, 2005 and CST Act, valid with effect from January 21, 2010*.
- Registration Certificate dated December 23, 2010, bearing Registration No. UK/36400, issued by the Regional Office, EPFO, under the EPF Act*.

Miscellaneous Registrations

- Registration Certificate dated March 18, 1996, bearing Importer – Exporter Code No. 0395069106, issued by the Joint Director General Foreign Trade, under the Foreign Trade (Development and Regulation) Act, 1992*.

Registration of Trade Marks with the Trademarks Registry

Except as stated to the contrary, all the trademark registrations mentioned below are valid.

A. Trademarks registered in the name of our Company

Set forth below are the trademarks registered in the name of our Company, under the Trade Marks Act, 1999:

S.No.	Trademarks	Registration No.	Class	Status
1.	Lingerie Francais	1635150	35	Trademark registered in the name of our Company with effect from December 27, 2007.
2.	Ma'Moiselle	1645247	25	Trademark registered in the name of our Company with effect from January 23, 2008.
3.	Nouveau	1645246	25	Trademark registered in the name of our Company with effect from January 23, 2008.
4.	Lovable (with a little heart symbol)	1559916	25	Trademark registered in the name of our Company with effect from May 21, 2007.
5.	Lovable (with a big heart symbol)	1559917	25	Trademark registered in the name of our Company with effect from May 21, 2007.
6.	Lovable (New York. Milan. Tokyo)	1622111	26	Trademark registered in the name of our Company with effect from November 19, 2007.
7.	Lilian De Paris	1218198	25	Trade mark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
8.	Essentials	984713	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
9.	Tweenz	946360	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
10.	Tweens	946361	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
11.	Vanity Gear	936121	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
12.	Daisy Dee	826869	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
13.	Special Moods	845038	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
14.	Daisy Dee Active	845037	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
15.	Sweet Teens	845036	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
16.	Lovable Temptations	845035	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
17.	Daisy Dee Super Shapers	845034	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.

S.No.	Trademarks	Registration No.	Class	Status
18.	16 Hour Day	847061	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.
19.	Barbara Carter 90	412538	25	Trademark registered in the name of our Company pursuant to a letter dated October 1, 2009, from the Registrar of Trademarks.

B. Trademarks registered with the Trademarks Registry, but not in the name of our Company

Set forth below are the registered trademarks that have been assigned to our Company by M/s Hybo Hindustan vide assignment deed dated June 05, 2006, but are yet to be registered in our name:

S.No.	Trade Marks Registered	Registration No.	Class	Status
1.	Expandex	808349	25	Our Company has filed an application for renewal of registration of the said trademark. Form TM-23 for changing the name of the registered proprietor from M/s Hybo Hindustan to the name of our Company is yet to be filed.
2.	Expandex	808348	24	Our Company has filed an application for renewal of registration of the said trademark. Form TM-23 for changing the name of the registered proprietor from M/s Hybo Hindustan to the name of our Company is yet to be filed.
3.	Cotton Essensuals	984714	25	Our Company has filed Form TM-23 dated June 25, 2008, with the Registrar of Trademarks to register the trademark in the name of our Company. The said application is pending approval from the Registrar of Trademarks.

C. Trade Marks pending registration

Set forth below are the trademarks for which applications for registration under the Trade Marks Act, 1999, have been filed by our Company:

S.No.	Trade Marks Pending Registration	Class	Date of Filing of Application for Registration	Status of the Application
1.	Sportz	25	January 29, 2009	Application for registration is pending approval.
2.	Flames	25	January 29, 2009	Application for registration is pending approval.
3.	The T-Shirt Bra	25	January 29, 2009	Application for registration is pending approval.
4.	Temptations	25	January 29, 2009	Application for registration is pending approval.
5.	Passion	25	January 29, 2009	Application for registration is pending approval.
6.	Activa	25	January 29, 2009	Application for registration is pending approval.
7.	Occasions	25	January 29, 2009	Application for registration is pending approval.
8.	Encircle	25	January 29, 2009	Application for registration is pending

S.No.	Trade Marks Pending Registration	Class	Date of Filing of Application for Registration	Status of the Application
9.	Teenz	25	January 29, 2009	approval. Application for registration is pending approval.
10.	Daytimers	25	January 29, 2009	Application for registration is pending approval.
11.	Salwar Kameez Bra	25	January 29, 2009	Application for registration is pending approval.
12.	Brides	25	January 29, 2009	Application for registration is pending approval.
13.	Leisure	25	January 29, 2009	Application for registration is pending approval.
14.	College Style	25	April 16, 2009	Application for registration is pending approval.

D. Trademarks pending registration, assigned to our Company by M/s Hybo Hindustan vide assignment deed dated June 05, 2006 (the “Deed”)

The application for registration of the trademark “Extra”, bearing Application No. 452454, which is assigned to our Company by M/s Hybo Hindustan under the Deed, has been filed with the Registrar of Trademarks and is pending approval from the aforementioned authority.

Note: * - Denotes the approvals received by the Issuer for which there is no validity period.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of the Board dated June 15, 2010. The shareholders have authorised the Issue by a special resolution passed pursuant to section 81(1A) of the Companies Act at the EGM of our Company held on July 8, 2010.

Prohibition by SEBI

Our Company, Directors, Promoter, Promoter Group and Group Entities 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.

The companies, with which our Promoter, Directors or persons in control of our Company are associated as promoter, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

None of our Directors are associated with any entities, which are engaged in securities market related business and are not are registered with SEBI for the same.

Prohibition by RBI

Our Company, Directors, Promoter, the relatives (as defined under the Companies Act) of our Promoter, the Promoter Group, Group Entities and companies in which our Directors, Promoter are associated as directors or promoter have not been declared as wilful defaulters by RBI or any other governmental authorities.

Eligibility for the Issue

We are eligible to make the Issue in accordance with Regulation 26 (1) of the SEBI (ICDR) Regulations:

Regulation 26(1) of the SEBI (ICDR) Regulations states as follows:

“26.(1) An unlisted company may make an initial public offering (IPO) of equity shares only if it meets all the following conditions:

- (a) The company has net tangible assets of at least ₹3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets;*

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

- (b) The company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;*

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of section 205 of Companies Act, 1956;

- (c) The company has a net worth of at least ₹1 crore in each of the preceding 3 full years (of 12 months each);*

- (d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity indicated by the new name; and*

- (e) *The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)”*

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in the Red Herring Prospectus as at, and for the last five years ended Fiscal 2010 are set forth below:

(₹ In Lacs)

Particulars	As on March 31, 2010	As on March 31, 2009	As on March 31, 2008	As on March 31, 2007	As on March 31, 2006
Net tangible Assets*	2,556.87	2,153.08	1,898.61	1,380.81	1,101.24
Monetary Assets**	467.66	302.71	302.95	156.61	57.00
Monetary Assets as a percentage of Net Tangible assets	18.29	14.06	15.96	11.34	5.18
Distributable profits after tax excluding extra ordinary item ***	1,055.48	286.62	410.03	309.08	288.84
Net worth****	2,435.63	1,467.61	1,198.54	706.06	596.53

*“Net Tangible Assets” are defined as the sum of fixed assets (including capital work in-progress and excluding revaluation reserve) investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and secured as well as unsecured long term liabilities) excluding intangible assets as defined in Accounting Standard 26 (AS 26) issued by the Institute of Chartered Accountants of India.

**Monetary Assets are defined as the sum of cash in hand, non trade Investments, balance with scheduled bank in current accounts, fixed deposits and public deposit account with the Government, if any.

***Distributable profits have been computed in terms section 205 of the Companies Act, 1956.

****Net Worth has been computed as the aggregate of equity shares capital and reserves (excluding revaluation reserves) and after deducting miscellaneous expenditure not written off, if any.

Hence, we are eligible for the Issue under Regulation 26(1) of the SEBI (ICDR) Regulations.

Further, in accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will be not less than 1,000.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED 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 OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGER, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT

INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER 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 NOVEMBER 15, 2010 WHICH READS AS FOLLOWS:

“WE, THE UNDER NOTED BOOK RUNNING LEAD MANAGER TO THE ABOVE MENTIONED FORTHCOMING ISSUE STATE AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:
 - (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
- (4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.
- (6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE

DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE RED HERRING PROSPECTUS.

- (7) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE**
- (8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- (9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE**
- (10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. – NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN ₹ 1,000 LACS , THE ALLOTMENT OF THE EQUITY SHARES IS TO BE MADE COMPULSORILY IN DEMATERIALISED FORM ONLY, PURSUANT TO SECTION 68B OF THE COMPANIES ACT, 1956.**
- (11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**
- (12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE RED HERRING PROSPECTUS:**
 - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND**
 - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**
- (13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA**

(ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.

- (14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**
- (15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

Note:

The filing of the Red Herring Prospectus does not, however, absolve our Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the BRLM any irregularities or lapses in the 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, Mumbai in terms of section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the Registrar of Companies, Mumbai in terms of sections 56, 60 and 60B of the Companies Act.

Disclaimer Clause of BSE

Bombay Stock Exchange Limited (the “**Exchange**”) has given vide its letter dated December 02, 2010, permission to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

- a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- b) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- c) 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 that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which maybe suffered by such person sonsequent 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 this offer document has been submitted to the the National Stock Exchange of India Limited (hereinafter referred to as “**NSE**”). NSE has given vide its letter ref.: NSE / LIST / 157730 – H dated February 4, 2011 permission to the issuer to use the exchange’s name in this offer document as one of the stock exchanges on which this issuer’s securities are proposed to be listed. The exchange has scrutinized this draft offer document for its limited internal purpose for deciding on the matter of granting the aforesaid permission to the issuer. It is to be

distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document 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 this offer document; nor does it warrant that this issuer's securities will be listed or will continue to be listed on the exchange; nor does it take any responsibility for the financial or other soundness of this issuer, its promoters, its management or any scheme or project of this issuer.

Every person who desires to apply for or otherwise acquire any securities of this issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of CARE

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the Issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares / securities. It is also not a comment on the offer price or listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospect of the Issuer; also it does not indicate compliance / violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

Caution - Disclaimer from our Company and the BRLM

Our Company, our Directors, and the BRLM accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.lovableindia.in would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Issue Agreement entered into among the the BRLM and our Company dated November 1, 2010 and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us and 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.

Our Company, the BRLM and the Underwriters shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software / hardware system or otherwise.

The BRLM and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our Group Entities, affiliates or Associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and our Group Entities, affiliates or Associates for which they have received, and may in future receive, compensation.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

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, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised 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), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, public financial institutions as specified in section 4A of the Companies Act, state industrial development corporations, Venture Capital Funds (VCFs) registered with SEBI, Insurance Companies registered with Insurance and Regulatory Development Authority, Provident Funds (subject to applicable law) with minimum corpus of ₹ 2,500 lacs and pension funds with minimum corpus of ₹ 25,000 lacs, and to permitted non residents including FIIs, eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI and eligible foreign investors provided they are eligible under all applicable laws and regulations to hold Equity Shares of our Company. The Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase 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 the 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, Maharashtra, 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 the Draft Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company 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). Accordingly, the Equity Shares will be offered and sold only outside the United States to non-US persons in offshore transactions in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Each purchaser acquiring the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of the Red Herring Prospectus and such other information, as it deems necessary to make an informed investment decision and that:

1. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;
2. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares, was located outside the United States at the time the buy order for the Equity Shares was originated and continues to be located outside the United States and has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;
3. the purchaser is not an affiliate of our Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from our Company or an affiliate thereof in the initial distribution of the Equity Shares;
4. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only in accordance with Regulation S under the Securities Act, or any transaction exempt from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
5. the purchaser is purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act; and
6. the purchaser acknowledges that our Company, the BRLM and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under section 60B of the Companies Act, would be delivered for registration to the RoC 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, 100, Everest, Marine Drive, Mumbai 400 002, Maharashtra, India.

Listing

Applications will be made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

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 the Red Herring Prospectus. If such money is not repaid within 8 days after our Company becomes 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 our Company and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, jointly and severally 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 12 Working Days of the Bid/Issue Closing Date.

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Compliance Officer, the Auditors, the Banker to the Issue; and (b) BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank, Banker to the Issue, Legal Advisor to the Issue to act in their respective capacities have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Designated Stock Exchange and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the Designated Stock Exchange. Our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of the Red Herring Prospectus for filing with the Designated Stock Exchange.

CARE, the IPO grading agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, have given their written consent as experts to the inclusion of their report in the form and context in which they will appear in the Red Herring Prospectus and such consents and reports will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the Stock Exchange(s).

Expert to the Issue

Other than as stated above, we have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately [●] lacs. The expenses of this Issue include, among others, underwriting and management fees, SCSB's commission/fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be paid by our Company.

The estimated Issue expenses are as under:

(₹ In Lacs)			
Activity	Expenses*	% of Issue Size	% of Issue expenses
Lead management, Syndicate fees, underwriting and selling commission (including commission to SCSB for ASBA applications) and brokerage	[●]	[●]	[●]
Advertisement and marketing expenses	[●]	[●]	[●]
Printing and stationery (including expenses on transportation of the material)	[●]	[●]	[●]
Others (Filing Fees with SEBI, BSE and NSE, Registrar's fees, legal fees, IPO Grading, listing fees, traveling and other misc. expenses etc.)	[●]	[●]	[●]
Total	[●]	[●]	[●]

**To be completed after finalisation of issue price*

Fees Payable to the BRLM and the Syndicate Members

The total fees payable to the BRLM and the Syndicate Members will be as per the engagement letter dated July 20, 2010 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 our Company 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 MoU between our Company and the Registrar to the Issue dated September 14, 2010.

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 our 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 incorporation.

Previous Rights and Public Issues

Except as disclosed in the chapter titled “*Capital Structure*” on page 55 of the Red Herring Prospectus, we have not made any previous rights and public issues in India or abroad in the five years preceding the date of the Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Except as stated in the chapter titled “*Capital Structure*” on page 55 of the Red Herring Prospectus, we have not made any previous issues of shares for consideration otherwise than for cash.

Companies under the same management

No company under the same management (within the meaning of section 370(1)(B) of the Companies Act) as us has made any capital issue during the last three years.

Promise v. performance –Associates

Our Company and Group Entities have not made any previous rights and public issues.

Outstanding Debentures, Bond Issues, or Preference Shares

Our Company does not have any outstanding debentures, bonds or preference shares as of the date of the Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of at least 36 months 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.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated

Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances

Our Company or the Registrar to the Issue or the SCSB in case of ASBA Bidders shall redress routine investor grievances within seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

We have also appointed Mr. Sunil Shukla, Chief Financial Officer of our Company, as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post-Issue related problems, at the following address:

Mr. Sunil Shukla

Lovable Lingerie Limited

A – 46, Street No. 2,

MIDC, Andheri (East), Mumbai – 400 093

Tel: +91 22 3202 4141

Fax: +91 22 2838 3582

Email: corporate@lovableindia.in

Change in Auditors

There has been no change in the auditors of our Company for the last three years.

Capitalisation of Reserves or Profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in the chapter titled “*Capital Structure*” on page 55 of the Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets in the last five years.

Purchase of Property

Other than as disclosed in the Red Herring Prospectus there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of the Red Herring Prospectus, other than property, in respect of which:

- The contract for the purchase or acquisition was entered into in the ordinary course of business, or the contract was entered into in contemplation of the Issue, or that the Issue was contemplated in consequence of the contract; or
- The amount of the purchase money is not material.

Except as stated elsewhere in the Red Herring Prospectus, our Company has not purchased any property in which the Promoter and/or Directors, have any direct or indirect interest in any payment made thereunder.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Payment or benefit to officers of our Company

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.

Except as disclosed in chapter titled “*Related Party Transactions*” on page 159 of the Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.

SECTION VIII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, conditions of RBI approval, if any, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus, Bid cum Application Form, ASBA Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”), the Listing Agreement with the Stock Exchanges and other terms and conditions as may be incorporated in the Allotment advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, GoI, Stock Exchanges, RBI, RoC, FIPB and / or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, Memorandum and Articles of Association and shall rank pari passu in all respects with the other existing shares of our Company including in respect of the rights to receive dividends. The Allottees of the Equity Shares in the Issue shall be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, see the chapter titled “*Main Provisions of the Articles of Association*” on page 305 of the Red Herring Prospectus.

Mode of payment of dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, the Articles and the Listing Agreement.

Face Value and Issue Price

The face value of each Equity Share is ₹ 10. The Floor Price of the Equity Shares is ₹ [●] per Equity Share and the Cap Price is ₹ [●] per Equity Share. At any given point of time there shall be only one denomination of Equity Shares, subject to applicable law. The Issue Price is [●] times the Face Value of the Equity Shares.

Price Band

The Price Band shall be from ₹ [●] to ₹ [●] per Equity Share of face value of ₹ 10 each.

Compliance with SEBI Rules and Regulations

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

Rights of the Equity Shareholder

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

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;

- Right to receive surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- Right of free transferability of Equity Shares; 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 the Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of the Articles of Association such as those dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and / or consolidation / splitting, please refer to the chapter titled “**Main Provisions of the Articles of Association**” on page 305 of the Red Herring Prospectus.

Market Lot

Under section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI (ICDR) Regulations, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares is in dematerialized mode, the tradable lot is one Equity Share. Allocation and Allotment of Equity Shares through the Issue will be done only in electronic form, in multiple of one Equity Share, subject to a minimum allotment of [●] Equity Shares. For details of allocation and allotment, please refer to the chapter titled “**Issue Procedure**” on page 271 of the Red Herring Prospectus.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

Jurisdiction

Exclusive jurisdiction for the purpose of the Issue is with the competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, 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 / transfer / alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Company’s Registered Office or to our Registrar and Transfer Agents.

In accordance with section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- 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 monies 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 dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Bidding Period

Bidders may submit their Bids only in the Bidding Period. The Bid/Issue Opening Date is March 08, 2011. The Bid/Issue Closing Date for QIB Bidders is March 10, 2011 and for Retail and Non Institutional Bidders is March 11, 2011. Anchor Investors if any, shall submit their bid one day prior to the Bid/Issue Opening Date.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue through the Draft Herring Prospectus including devolvement of Underwriters within 60 days from the date of closure of the Issue, 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 as prescribed under section 73 of the Companies Act.

Further, in accordance with Clause 26(4) of the SEBI (ICDR) Regulations, our Company shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

Withdrawal of the Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with the Issue at any time, after the Bid / Issue Opening Date, but before Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre Issue advertisements were published within two days of the Bid / Issue Closing Date providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the same to the Stock Exchanges on which our Equity Shares are proposed to be listed. Any further issue of Equity Shares by our Company shall be in compliance with applicable laws. If the Issue is withdrawn after the Bid / Issue Closing date, our Company shall be required to file a fresh offer document with SEBI. The BRLM, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the day of receipt of such notification.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

Arrangement for disposal of odd lot

The Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one (1) Equity Share. Hence, there is no possibility of any odd lots.

Application by Eligible NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in the Issue. The current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exists a general permission for the NRIs, FIIs and FVCIs registered with SEBI to invest in shares of Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, RBI and / or SEBI regulations as may be applicable to such investors. It is to be distinctly understood that there is no reservation for NRIs, FIIs or FCVIs registered with SEBI, applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions, if any, as may be prescribed by the Government of India/RBI while granting such approvals.

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). The Equity Shares shall be sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Restriction on Transfer of Shares

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation / splitting except as provided in the Red Herring Prospectus and in the Articles of Association of our Company. For further details refer to chapter titled “*Main Provisions of the Articles of Association*” on page 305 of the Red Herring Prospectus.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue. Further, NRIs who are not Eligible NRIs are not permitted to participate in the Issue. Equity Shares acquired by Eligible NRIs can be only sold to any other person eligible to acquire the same in accordance with all applicable laws, rules and regulations.

Sub accounts of FIIs registered with SEBI, being foreign corporate or foreign individuals are not eligible to participate in the Issue in the QIB Portion.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States (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. The Equity Shares are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Issue of Equity Shares in dematerialized form in the Issue

In accordance with the SEBI (ICDR) Regulations, Equity Shares will be issued, transferred and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

ISSUE STRUCTURE

The present Issue is of 45,50,000 Equity Shares of ₹ 10 each for cash at a price of ₹ [●] per Equity Share (including a share premium of ₹ [●] per Equity Share) aggregating to ₹ [●] lacs. The Issue will constitute 27.08% of the post Issue paid-up capital of our Company.

The Issue is being made through the 100% Book Building Process.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Not more than 22,75,000 Equity Shares (of which 1,13,750 Equity Shares shall be available for allocation to Mutual Funds)	Not less than 6,82,500 Equity Shares or Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation	Not less than 15,92,500 Equity Shares or Issue size less allocation to QIB Bidders and Non Institutional Bidders shall be available for allocation
Percentage of Issue Size available for Allotment/ Allocation*	Not more than 50% of the Issue (of which 5% shall be available for allocation to Mutual Funds) Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors on a discretionary basis, out of which one third portion shall be reserved for domestic Mutual Funds.	Not less than 15% of the Issue or the Issue less allocation to the QIB Bidders and Retail Individual Bidders shall be available for allocation.	Not less than 35% of the Issue or the Issue less allocation to the QIB Bidders and Non Institutional Bidders shall be available for allocation.
Basis of proportionate Allotment/Allocation if respective category is oversubscribed**	Proportionate as follows: [●] Equity Shares (to be adjusted for Anchor Investor Portion***, if applicable) aggregating ₹ [●] lacs shall be available for allocation on a proportionate basis to Mutual Funds; and [●] Equity Shares (to be adjusted for Anchor Investor Portion***, if applicable) aggregating to ₹ [●] lacs shall be allotted on a proportionate basis to all QIBs including Mutual	Proportionate	Proportionate

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
	Funds receiving allocation as per (a) above.		
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds ₹ 2,00,000	Such number of Equity Shares that the Bid Amount exceeds ₹ 2,00,000.	[●] Equity Shares
Maximum Bid	Not exceeding the size of the Issue subject to applicable limits	Not exceeding the size of the Issue subject to applicable limits	Such number of Equity Shares whereby Bid Amount does not exceed ₹ 2,00,000.
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter	[●] Equity Shares and in multiples of one thereafter
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share
Who can Bid	A mutual fund, venture capital fund and foreign venture capital investor registered with SEBI; a foreign institutional investor and sub- account (other than a sub- account which is a foreign corporate or foreign individual), registered with SEBI; a public financial institution as defined in section 4A of the Companies Act, 1956; a scheduled commercial bank; a multilateral and bilateral development financial institution; a start industrial development corporation; an insurance company registered with the Insurance Regulatory and Development Authority (IRDA); provident funds with minimum corpus of ₹ 2500 lacs; pension funds with minimum corpus of ₹ 2500 lacs; National Investment Fund set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; Insurance	Resident Indian individuals, eligible NRIs, HUF, applying through their Karta, minors applying through their natural guardian companies, corporate bodies, scientific institution, societies, trust, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.	Resident Indian individuals (including HUF, applying through their Karta, minors applying through their natural guardian) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed ₹ 2,00,000 in value

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
	funds set up and managed by army, navy or air force of the Union of India; and insurance funds set up and managed by the Department of Posts, India.		
Terms of Payment	Bid Amount shall be payable at the time of submissions of Bid cum Application Form to the BRLM (including Anchor Investor) and submission of ASBA Form to SCSB.	Bid Amount shall be payable at the time of submissions of Bid cum Application Form to the Syndicate Members and submission of ASBA Form to SCSB	Bid Amount shall be payable at the time of submissions of Bid cum Application Form to the Syndicate Members and submission of ASBA Form to SCSB
	In case of ASBA bidders, the SCSB shall be authorised to block the bid amount mentioned in the ASBA Form.	In case of ASBA bidders, the SCSB shall be authorised to block the bid amount mentioned in the ASBA Form.	In case of ASBA bidders, the SCSB shall be authorised to block the bid amount mentioned in the ASBA Form.

* *Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in QIBs, Non-Institutional and Retail Individual categories would be allowed to be met with spill over inter se from any other categories, at the sole discretion of our Company, the BRLM, the Designated Stock Exchange and subject to applicable provisions of SEBI (ICDR) Regulations.*

** *If the aggregate demand by Mutual Funds is less than 1,13,750 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.*

*** *Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of two Anchor Investors. The minimum bid for Anchor Investors shall be such number of Equity Shares so that the Bid Amount exceeds ₹1,000 lacs.*

In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.

ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all Bidders are required to make the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount along with the application.

Book Building Procedure

The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation to Qualified Institutional Buyers on a proportionate basis. 5% of the QIB Portion (excluding the Anchor Investors Portion) 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. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Further, not less than 15% of the Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis.

All Bidders other than ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs. Bids by QIBs will only have to be submitted through the BRLM or its affiliates or the Syndicate Members. The QIBs who bid through the ASBA process shall submit their Bids to the designated branch of the SCSBs and should intimate the BRLM.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including the DP ID Numbers and the beneficiary account number, shall be treated as incomplete and rejected. Bid cum Application Forms which do not have the details of the Bidders' PAN, (other than Bids made on behalf of the Central and the State Governments, residents of the state of Sikkim and officials appointed by the courts) shall be treated as incomplete and are liable to be rejected. Bidders will not have the option of being Allotted 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 (other than the ASBA Bidders) are required to submit their Bids through the Syndicate. Bids by QIBs will only have to be submitted through the BRLM or its affiliates or the Syndicate Members. Such Bidders shall only use the Bid cum Application Form bearing the stamp of the BRLM or Syndicate Member for making a Bid in terms of the Red Herring Prospectus.

ASBA Bidders shall submit an ASBA Bid cum Application Form either in physical or electronic form to the SCSB authorising it to block the funds that are available in the bank account specified in such ASBA Bid cum Application Form. The QIBs who bid through the ASBA process shall submit their Bids to the designated branch of the SCSBs and should intimate the BRLM.

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 completion and submission the Bid cum Application Form to the Syndicate (and in the case of an ASBA Bid cum Application form, to the SCSB) the Bidder is deemed to have authorized us 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 SEBI and / or the 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 the various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
ASBA Bidders	
Residential ASBA Bidders	Green
Non-resident ASBA Bidders	Green
Anchor Investors*	White

* Bid cum Application forms for Anchor Investors shall be made available at the office of the BRLM and the Syndicate Members.

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families (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 the Karta 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 authorized to invest in equity shares;
- Mutual Funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
- Multilateral and bilateral development financial institution;
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- FIIs and sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or foreign individual subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category;
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;

- Provident funds with a minimum corpus of ₹ 2,500 lacs and who are authorized under their constitution to hold and invest in equity shares;
- Pension funds with a minimum corpus of ₹ 2,500 lacs and who are authorized under their constitution to hold and invest in equity shares;
- National Investment Fund set up by resolution F. No. 2/3/2005-DDII dated November 23, 2005 of the GoI published in the Gazette of India;
- Trusts / societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their respective constitutions to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable local laws. NRIs other than Eligible NRIs are not eligible to participate in the Issue;
- Scientific and / or industrial research organizations authorized under their constitution to invest in equity shares;
- Insurance funds set up and managed by army, navy or air force of the Union of India;
- Insurance funds set up and managed by the Department of Posts, India; and
- Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue.

As per the existing regulations, OCBs are not eligible to participate in the Issue.

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.

Participation by associates and affiliates of BRLM and Syndicate Members

The BRLM and the Syndicate Members shall not be entitled to subscribe to the Issue in any manner except towards fulfilling their underwriting obligations. Associates and affiliates of the BRLM and the Syndicate Members may subscribe for Equity Shares in the Issue, including in the Net QIB Portion and Non-Institutional Portion as may be applicable to such Bidder, where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients.

The BRLM and any persons related to the BRLM, the Promoter and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

Bids by Mutual Funds

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

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 1,13,750 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 Net QIB Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

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. These limits would have to be adhered to by the mutual funds for investment in the Issue. 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 Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at the Registered Office of our Company, BRLM with Syndicate Members and with select Syndicate Members.

Eligible NRIs may please note that only such applications as are accompanied by payment in free foreign exchange or by debit to their Non Resident External Account (NRE Account) / Foreign Currency Non Resident Account (FCNR Account) shall be considered for Allotment under the Eligible NRI category on repatriable basis. The NRIs who intend to make payment through Non Resident Ordinary Account (NRO Account), that is, on non repatriation basis accounts shall use the Bid cum Application Form meant for resident Indians and shall not use the forms meant for Eligible NRIs.

Bids 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 the post-Issue paid-up capital of our Company. In respect of a FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of our Company or 5% of our total issued capital in case such sub-account is a foreign corporate or foreign individual.

In accordance with the foreign investment limits, the aggregate FII holding in our company cannot exceed 24% of our total issued capital. With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to our shareholders for adoption.

A sub account of a FII which is a foreign corporate or foreign individual shall not be considered to be a Qualified Institutional Buyer, as defined under the SEBI Regulations, for the Issue.

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 (the “**SEBI FII Regulations**”), an FII or its sub-account may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms. The FII or sub-account is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the BRLM and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on or an interest in our Company.

The Indian Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector (which includes textile manufacturing) and the cash and carry wholesale trading / wholesale trading sector. Indian manufacturing companies engaged in cash and carry wholesale trading / wholesale trading are allowed 100% FDI under the automatic route, without seeking Government approval.

Bids by 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 *inter alia* prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers.

Bids under the Anchor Investor Portion

Our Company may, in consultation with the BRLM, consider participation by Anchor Investors in the Issue for up to 6,82,500 Equity Shares in accordance with the SEBI (ICDR) Regulations. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor category. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. The key terms for participation in the Anchor Investor Portion are as follows:

- a) Anchor Investors shall be QIBs;
- b) A Bid by an Anchor Investor must be for a minimum of such number of Equity Shares that the Bid Amount exceeds ₹ 1,000 lacs and in multiples of [●] Equity Shares thereafter. Anchor Investors cannot submit a Bid for more than 30% of the QIB Portion.
- c) One-third of the Anchor Investor Portion (i.e. upto 2,27,500 Equity Shares) shall be reserved for allocation to domestic Mutual Funds.
- d) The minimum number of allottees in the Anchor Investor Portion shall not be less than:
 - two, where the allocation under Anchor Investor Portion is up to ₹ 25,000 lacs; and
 - five, where the allocation under Anchor Investor Portion is more than ₹ 25,000 lacs.
- e) Anchor Investors shall be allowed to Bid under the Anchor Investor only on the Anchor Investor Bidding Date (i.e., one day prior to the Bid / Issue Opening Date).
- f) Our Company shall, in consultation with the BRLM, finalise allocation to the Anchor Investors on a discretionary basis, subject to compliance with requirements regarding minimum number of Allottees under the Anchor Investor Portion.
- g) Allocation to Anchor Investors shall be completed on the day of bidding by Anchor Investors
- h) The number of Equity Shares allocated to successful Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLM before opening of Bidding on the Bid/Issue Opening Date.
- i) Anchor Investors shall pay the entire Bid Amount at the time of submission of their Bid. In case the Issue Price is greater than the Anchor Investor Price, any additional amount being the difference between the Issue Price and Anchor Investor Issue Price shall be payable by the Anchor Investors. In the event the Issue Price is lower than the Anchor Investor Issue Price, the allotment to Anchor Investors shall be at Anchor Investor Issue Price.
- j) The Equity Shares allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment in the Issue.
- k) Neither the BRLM, nor any person related to the BRLM, our Promoter, our Promoter Group or Group Entities, shall participate in the Anchor Investor Portion.

- l) Bids made by QIBs under both the Anchor Investor Portion and the Net QIB Portion shall not be considered as multiple Bids.
- m) The instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of Resident Anchor Investors: “**Lovable Public Issue – Escrow Account – Anchor Investor - R**”;
 - In case of Non-Resident Anchor Investor: “**Lovable Public Issue – Escrow Account – Anchor Investor - NR**”

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band published by our Company, in one English national daily newspaper, one Hindi national daily newspaper and one regional daily newspaper with wide circulation, where the Registered Office of our Company is situated, at least two Working Days prior to the Bid / Issue Opening Date.

The above information is given for the benefit of the Bidders. Our Company and the Book Running Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their own independent investigations and are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus.

Maximum and Minimum Bid Size

For Retail Individual Bidders: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 2,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed ₹ 2,00,000. Where the Bid Amount is over ₹ 2,00,000 due to a revision in the Bid or a revision in the Price Band or upon exercise of the option to Bid at the Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to Retail Individual Bidders indicating their agreement to Bid and to acquire the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds ₹ 2,00,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under the SEBI (ICDR) Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date, as applicable and is required to pay the entire Bid Amount 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 ₹ 2,00,000 to be considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to ₹ 2,00,000 or less due to a revision in the Bids or a revision in the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Non-Institutional Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at the Cut-off Price.

For Bidders in the Anchor Investor Portion: Only QIBs can participate in the Anchor Investor Portion. The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount is for ₹ 1,000 lacs or more and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and in the Net QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period and are required to pay the entire Bid Amount at the time of submission of the Bid.**

Information for Bidders

1. Our Company and the BRLM shall declare the Bid / Issue Opening Date and the Bid / Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national daily

newspapers (one each in English and Hindi) and in one regional daily newspaper with wide circulation, where the Registered Office of our Company is situated. This advertisement shall be in the prescribed format.

2. Our Company will file the Red Herring Prospectus with the RoC at least three days prior to the Bid / Issue Opening Date.
3. The Syndicate and the SCSBs, as applicable, will circulate copies of the the Bid cum Application Form to potential investors and at the request of the potential investors, copies of the Red Herring Prospectus. The SCSBs shall ensure that the abridged prospectus is made available on its website.
4. Any Bidder (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 the members of the Syndicate or the SCSBs.
5. Eligible Bidders who are interested in subscribing to the Equity Shares should approach the members of the Syndicate or the SCSBs (as applicable) to register their Bid. Bidders can also approach the Designated Branch of the SCSBs to register their Bids under the ASBA process.
6. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than the ASBA Bid cum Application Form) should bear the stamp of the BRLM or Syndicate Member otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI (ICDR) Regulations and any circulars issued by SEBI in this regard.

Method and Process of Bidding

1. Our Company in consultation with the BRLM shall decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in one English national daily newspaper, one Hindi national daily newspaper and one regional daily newspaper with wide circulation, where the Registered Office of our Company is situated, at least two Working Days prior to the Bid / Issue Opening Date. This advertisement, subject to the provisions of section 66 of the Companies Act, shall be in the format prescribed in Schedule XIII of the SEBI (ICDR) Regulations. The Price Band and the minimum Bid lot for the Issue will be decided by our Company in consultation with the BRLM including the relevant financial ratios computed for both the Cap Price and Floor Price. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid / Issue Period.
2. The Bid / Issue Period shall be a minimum of three Working Days and not exceeding ten Working Days (including the days for which the Issue is open in case of revision in Price Band). In case the Price Band is revised, the revised Price Band and Bidding Period will be published in one English national daily, one Hindi national daily and one regional daily newspaper with wide circulation, where the Registered Office of our Company is situated and the Bid / Issue Period may be extended, if required, by an additional three Working Days, subject to the total Bid / Issue Period not exceeding ten Working Days. Any revision in the Price Band and the revised Bid / Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one regional daily newspaper with wide circulation, where the Registered Office of our Company is situated, and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate.
3. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “*Bids at different price levels*” below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
4. The Bidder cannot Bid on another Bid cum Application Form after his or her Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid cum

Application Form to either the same or to another member of the Syndicate or SCSBs 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 the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled “**Build up of the Book and Revision of Bids**”. Provided that Bids submitted by a QIB in the Anchor Investor Portion and in the Net QIB Portion will not be considered as Multiple Bids.

5. Except in relation to Bids received from the Anchor Investors, the members of the Syndicate / SCSBs 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.
6. The BRLM shall accept Bids from the Anchor Investors during the Anchor Investor Bid/Issue Period i.e. one Working Day prior to the Bid / Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and in the Net QIB Portion shall not be considered as multiple Bids.
7. During the Bid / Issue Period, Bidders (other than QIBs) may approach any of the member of the Syndicate to submit their Bid. The member of the Syndicate shall accept Bids from all the Bidders and shall have the right to vet the Bids in accordance with the terms of the Syndicate Agreement and the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
8. Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described under the paragraph titled “**Payment Instructions**” on page 290.
9. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
10. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

Bids at different price levels and revision of Bids

The Bidders can Bid at any price within the Price Band, in multiples of ₹ 1. The Price Band and the minimum Bid lot size for the Issue shall be decided by our Company, in consultation with the BRLM, and advertised in three daily newspapers (one in English, one in Hindi, and in one regional daily newspaper, with wide circulation, where the Registered Office of our Company is situated,) at least two Working Days prior to the Bid / Issue Opening Date.

1. In accordance with SEBI (ICDR) Regulations, our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bid / Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in the Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price disclosed at least two Working Days prior to the Bid / Issue Opening Date and the Cap Price will be revised accordingly.
2. 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.
3. Our Company, in consultation with the BRLM, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.
4. Bidders can Bid at any price within the Price Band. Bidders have to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options

not exceeding ₹ 2,00,000 may bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIBs and Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

5. Retail Individual Bidders who Bid at the Cut-off Price agree that they shall acquire the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at the 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 Refund Account(s). In case of ASBA Bidder bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block amount based on the Cap Price.
6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate or the SCSBs to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds ₹ 2,00,000, the Bid will be considered for allocation under the Non Institutional Bidders category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.
7. In case of a downward revision in the Price Band, 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 Refund Account(s) or unblocked by the SCSBs, as applicable.
8. Our Company, in consultation with the BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹ 5,000 to ₹ 7,000.

IN ACCORDANCE WITH THE SEBI (ICDR) REGULATIONS, 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 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.

The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges. 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 the relevant laws, rules, regulations, guidelines and approvals.

Escrow Mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please refer to paragraph titled “*Payment Instructions*” on page 290 of the Red Herring Prospectus.

Electronic Registration of Bids

1. The SCSBs will register the Bids using the online facilities of the Stock Exchanges. There will be at least one online connectivity to each city where a stock exchange is located in India and where the Bids are being accepted. The BRLM, our Company and the Registrar to the Issue are not responsible for any acts, mistakes or

errors or omission and commissions in relation to, (i) the Bids accepted by the members of the Syndicate or sub Syndicate and the SCSBs, (ii) the Bids uploaded by the members of the Syndicate or sub Syndicate and the SCSBs, (iii) the Bids accepted but not uploaded by the members of the Syndicate and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the respective member of the Syndicate and / or the SCSBs shall be responsible for any errors in the Bid details uploaded by them. It shall be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

2. The Stock Exchanges 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, their authorized agents and the SCSBs during the Bid / Issue Period. The Syndicate Member and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid / Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM on a regular basis. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded will not be considered for allocation. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).
3. The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed online at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bid / Issue Period along with category wise details.
4. At the time of registering each Bid (other than the ASBA Bidder), the member of the Syndicate shall enter the following details of the Bidder in the online system:
 - Name of the Bidder(s): Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
 - Investor category such as Individual, corporate, NRI, FII or Mutual Fund, etc.;
 - Numbers of Equity Shares Bid for;
 - Bid Amount;
 - Price option;
 - Cheque amount;
 - Cheque number;
 - Bid cum Application Form number;
 - Depository Participant identification number and Client identification number of the demat account of the Bidder; and
 - PAN, except for Bids on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts.

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s);
- ASBA Bid cum Application Form Number;
- PAN (of First Bidder if more than one Bidder);
- Investor Category and Sub-Category:

Retail	Non-Institutional	QIBs
(No sub category)	<ul style="list-style-type: none"> - Individual - Corporate - Other 	<ul style="list-style-type: none"> - Mutual Funds; - Financial Institutions; - Insurance companies; - FIIs other than corporate and individual sub accounts; - Sub accounts - Others

- DP ID and client identification number;
 - Quantity;
 - Price;
 - Bank account number;
 - Cheque number; and
 - Cheque amount.
5. 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 request and obtain the TRS from the member of the Syndicate or the Designated Branches of the SCSBs.** The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated either by the BRLM or the Syndicate Member or our Company.
 6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
 7. In case of QIB Bidders, bidding in the Net QIB Portion, the BRLM or Syndicate Members can reject the Bids at the time of accepting the Bid provided that the reason for such rejection is provided in writing. Bids under the Non-Institutional Portion and Bids under the Retail Individual Portion would not be rejected except on the technical grounds listed in the Red Herring Prospectus. The members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSB shall have no right to reject Bids except on technical grounds.
 8. It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and the BRLM are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

9. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation / Allotment. The members of the Syndicate will be given up to one day after the Bid / Issue Closing Date to verify DP ID and client identification number uploaded in the online IPO system during the Bid / Issue Period after which the data will be sent to the Registrar to the Issue for reconciliation. In case of discrepancy of data between BSE or NSE and the members of the Syndicate or the Designated Branches of the SCSBs, the decision of our Company, in consultation with the BRLM and the Registrar to the Issue, shall be final and binding on all concerned.
10. Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of BSE and NSE. In the event such Bid Amount has not been blocked, the Anchor Investor's Bid shall be rejected.

Build Up of the Book and Revision of Bids

1. Bids, registered by various Bidders through the members of the Syndicate and SCSBs, shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
2. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
3. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid cum Application Form.
4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate and the Designated Branches of the SCSBs.
5. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate or the SCSB through whom the Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed ₹ 2,00,000 if the Bidder wants to continue to Bid at the Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds ₹ 2,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
7. 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 Refund Account.
8. Our Company in consultation with the BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹ 5,000 to ₹ 7,000.

9. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid amount. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar to the Issue will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.
10. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate or SCSBs, as applicable. **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.**
11. The Syndicate Members may modify selected fields (viz. DP ID and client identification number) in the Bid details already uploaded upto one day post the Bid / Issue Closing Period.

Price Discovery and Allocation

After the Bid / Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with our Company. Our Company, in consultation with BRLM, shall finalise the Issue Price, the number of Equity Shares to be allotted and the allocation to successful Bidders.

1. Not more than 50% of the Issue (including 5% of Net QIB Portion specifically reserved for Mutual Funds) would be available for allocation on a proportionate basis to QIBs after consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds.
2. Not less than 15% and not less than 35% of the Issue, would be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
3. Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 1,13,750 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the Net QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the Net QIB Portion has not been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM.
4. Allocation to Anchor Investors shall be at the discretion of our Company in consultation with the BRLM, subject to compliance with the SEBI (ICDR) Regulations. In the event of undersubscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion.
5. Allocation to Eligible NRIs or FIIs or FVCIs registered with SEBI, multilateral and bilateral development financial institutions applying on repatriation basis will be subject to applicable laws, rules, regulations, guidelines and approvals.
6. Our Company reserves the right to cancel the Issue any time after the Bid / Issue Closing Date but before Allotment and the reasons thereof shall be given as a public notice within two days of the cancellation of the Bid / Issue Closing Date. The public notice will be issued in the same newspapers where the statutory pre-Issue advertisements had appeared. Further the Stock Exchanges will also be informed promptly.

7. In terms of SEBI (ICDR) Regulations, QIB Bidders bidding in the Net QIB Portion shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.
8. If the Issue Price is higher than the Anchor Investor Allocation Price, the additional amount shall be paid by the Anchor Investors. However, if the Issue Price is lower than the Anchor Investor Issue Price, the difference shall not be payable to the Anchor Investors.
9. The Basis of Allotment details shall be put up on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

1. Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
2. After signing the Underwriting Agreement, our Company and the Book Running Lead Manager would update and file the updated Red Herring Prospectus with RoC, which then would be termed the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue Size, underwriting arrangements and will be complete in all material respects.

Filing with the ROC

We will file a copy of the Red Herring Prospectus and Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Pre-Issue Advertisement

Subject to section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI (ICDR) Regulations, in one English language national daily newspaper, one Hindi language national daily newspaper and one regional language newspaper with wide circulation, where the Registered Office of our Company is situated.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC in an English national daily newspaper, a Hindi national daily newspaper and a regional daily newspaper, each with wide circulation, where the Registered Office of our Company is situated. 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 Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

1. Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the BRLM and Syndicate Members a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders (including Anchor Investors) may be done simultaneously with or prior to the approval of the Basis of Allotment for the Retail and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that (i) the Allotment of the Equity Shares and (ii) the instructions by our Company for the demat credit of the Equity Shares, to all Bidders in the Issue shall be done on the same date.
2. The Registrar to the Issue will then dispatch the CAN to the Bidders who have been allocated Equity Shares in the Issue. The dispatch of the 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.
3. The Issuance of CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Bidder.

4. Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account(s) 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(s). The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

The Issuance of CAN is subject to “*Notice to Anchor Investors - Allotment Reconciliation and Revised CANs*” as set forth below.

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

A physical book will be prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of our Company and the BRLM, select Anchor Investors may be sent a CAN, within two Working Days of the Anchor Investor Bid / Issue Period, indicating the number of Equity Shares that may be allocated to them. This provisional CAN and the final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of the Equity Shares in such revised CAN may be different from that specified in the earlier CAN. Anchor Investors should note that they shall be required to pay additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN within two Working Days after the Bid / Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Notice to QIBs bidding in the Net QIB Portion: Allotment Reconciliation and Revised CANs

QIBs bidding in the Net QIB Portion will be sent a CAN, indicating the number of Equity Shares that may be allocated to them after the final Basis of Allotment, as approved by the Designated Stock Exchange and reflected in the reconciled physical book prepared by the Registrar to the Issue. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN, if any) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in its entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- Our Company will ensure that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidder’s depository account will be completed within ten Working Days of the Bid / Issue Closing Date.
- As per SEBI (ICDR) Regulations, Equity Shares will be issued 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, in the manner stated in the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

General Instructions

Do’s:

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the Bid cum Application Form;
- 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 the BRLM or Syndicate Member or with respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for bidding has a bank account.;
- e) With respect to Bids by ASBA Bidders ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- f) Ensure that you have requested for and received a TRS for all your Bid options;
- g) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;
- h) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- i) Ensure that the full Bid Amount is paid for the Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted through the SCSBs;
- j) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- k) Ensure that the Bid is within the Price Band;
- l) Ensure that you mention your PAN allotted under the IT Act with the Bid cum Application Form, except for Bids on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts;
- m) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.
- n) 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.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid / revise Bid price to less than the Floor Price or higher than the Cap Price;
- c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the member of the Syndicate or the SCSB, as applicable;
- d) Do not pay the Bid Amount in cash, by money order or by postal order;
- e) Do not provide your GIR Number instead of your PAN number.
- f) Do not send Bid cum Application Forms by post; instead submit the same to members of the Syndicate or the SCSBs, as applicable;
- g) Do not Bid at the Cut-off price (for QIBs and Non-Institutional Bidders);
- h) Do not Bid for a Bid Amount exceeding ₹ 2,00,000 (for Bids by Retail Individual Bidders);

- i) 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; and
- j) Do not submit Bid accompanied with stock invest.

Instructions for completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from any of the members of the Syndicate or from our Registered Office. **ASBA Bid cum Application Forms can be obtained from the Designated Branches of the SCSBs. ASBA Bid cum Application Forms shall also be available at the website of the respective stock exchanges at www.bseindia.com and www.nseindia.com.**

Bids and Revisions of Bids

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 and in the same order as their Depository Participant details).
3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Bids by Eligible NRIs for a Bid Amount of up to ₹ 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

The Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and SCSBs, as the case may be, and the electronic data will be used to make allocation / Allotment. Please ensure that the details are correct are legible. Please ensure that:

- The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of ₹ 2,00,000.
- For Non-Institutional and QIB Bidders, bidding under the Net QIB Portion, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds ₹ 2,00,000 and in multiples of [●] Equity Shares thereafter. All individual Bidders whose maximum Bid Amount exceeds ₹ 2,00,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to ₹ 1,000 lacs and in multiples of [●] Equity Shares thereafter.
- In single name or in joint names (not more than three and in the same order as their Depository Participant details).

- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of the PAN of the sole / First Bidder, Depository Participant's name, Depository Participant's 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 demographic details including category, age, address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders or unblocking the ASBA account. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in dispatch / credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs / allocation advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purposes by the Registrar to the Issue. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct. By signing the Bid cum Application Form, the Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders (where refunds are not being made electronically) / allocation advice / CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Such communication 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 (other than ASBA Bidders) 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 Bidder's sole risk and neither our Company, the Registrar to the Issue, 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 that matches three parameters, namely, PAN of the sole / First Bidder, the DP ID and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids (including ASBA Bids) made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds and pension funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and / or 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.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- a) With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- b) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.
- c) With respect to Bids made by provident funds with a minimum corpus of ₹ 2,500 lacs (subject to applicable law) and pension funds with a minimum corpus of ₹ 2,500 lacs, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund / pension fund must be lodged along with the Bid cum Application Form. 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. Our Company in our absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue to use the Demographic Details given on the Bid cum Application Form (and not those obtained from the Depository of the Bidder) for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice. In such cases, the Registrar to the Issue 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 Investors registered with SEBI on a repatriation basis.

Bids and revision to Bids must be made in the following manner:

- On the Bid cum Application Form or the Revision Form, as applicable, and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three and in the same order as their Depository Participant Details).
- Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Bids by Eligible NRIs for a Bid Amount of up to ₹ 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

Escrow Mechanism for Bidders other than ASBA Bidders

Our Company and the BRLM shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favor the Bidders shall make out the cheque or demand draft in respect of their Bid and / or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Bank(s) will act in terms of the Red Herring Prospectus and an Escrow Agreement to be entered into amongst our Company, the BRLM, Escrow Collection Bank(s) and Registrar to the Issue. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. The balance amount after transfer to the Public Issue account shall be transferred to the Refund Account. Payments of refunds to the Bidders shall also be made from the Refund Account as 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 the Escrow Collection Bank(s), our Company, Registrar to the Issue and BRLM to facilitate collection from the Bidders.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until receipt of instructions from the Registrar to the Issue to unblock the Bid Amount. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account.

Payment into Escrow Account for Bidders other than ASBA Bidders:

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and / or on allocation / Allotment as per the following terms:

All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.

1. QIB, Non-Institutional Bidders and Retail Individual Bidders 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, as applicable. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid of the Bidder shall be liable to be rejected.

Anchor Investors would be required to pay the Bid Amount at the time of submission of the application form through RTGS mechanism. In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.

2. The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - In case of Resident QIB Bidders: "Escrow Account – Lovable Public Issue - QIB - R";
 - In case of Non-Resident QIB Bidders: "Escrow Account – Lovable Public Issue - QIB - NR";
 - In case of Resident Retail and Non Institutional Bidders: "Escrow Account – Lovable Public Issue - R";

- In case of Non Resident Retail and Non Institutional Bidders: **“Escrow Account – Lovable Public Issue - NR”**;
3. In case of bids by NRIs applying on a 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 the NRE Accounts or the 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 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 the NRE Account or the FCNR Account as the case maybe.
 4. In case of Bids by NRIs applying on non-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 NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the NRE or FCNR or NRO Account as the case maybe.
 5. In case of Bids by FIIs, the payment should be made out of funds held in Special Non Resident Rupee Account (the ‘**SPNR 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 the SPNR Account.
 6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Accounts.
 7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders (other than ASBA Bidders) till the Designated Date.
 8. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Banker to the Issue.
 9. No later than ten Working Days from the Bid / Issue Closing Date, the Refund Bank shall refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on Bidding, if any, after adjusting for allocation to the successful Bidders payments should be made by cheque, or a 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 / stock invest / money orders / postal orders will not be accepted.
 10. Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
 11. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Bank(s), such Bids are liable to be rejected.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42 / 24.47.00 / 2003-04 dated November 05, 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.

Payment by cash / money order

Payment through cash / money order shall not be accepted in the 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. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

No separate receipts shall be issued for the money payable on the submission of the 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 / refunds will be made out in favour of the First Bidder. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

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. Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. It is clarified, however, that Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered multiple Bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- All Bids will be checked for common PAN and Bids with common PAN will be accumulated and taken to a separate process file which would serve as a multiple master. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
- The Bids will be scrutinized for DP ID and beneficiary account numbers. In case applications bear the same DP ID and beneficiary account numbers, these will be treated as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds registered with SEBI and such Bids in respect of more than one scheme will not be treated as multiple Bids provided that the Bids clearly indicates the scheme for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and in Net QIB Portion will not be considered as multiple Bids.

ASBA Bids made by duplicate copies of the same ASBA Bid cum Application Form (i.e. two ASBA Bid cum Application Forms bearing the same unique identification number) shall be treated as multiple Bids and shall be rejected.

Permanent Account Number (“PAN”)

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his / her PAN allotted under the IT Act. 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.**

This requirement is not applicable to Bids received on behalf of the Central and State Governments, from residents of the state of Sikkim and from officials appointed by the courts

Right to Reject Bids

In case of QIB Bidders, bidding under the Net QIB Portion, our 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 our Company has a right to reject Bids on technical grounds. Consequent refunds shall be made by RTGS / NEFT / NECS / direct credit / cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

- 1) Amount paid does not tally with the highest number of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- 2) 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;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- 4) Age of the First Bidder not given;
- 5) PAN number not stated and GIR Number given instead of PAN number, except for Bids on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts;
- 6) Bids for lower number of Equity Shares than specified for that category of investors;
- 7) Bids at a price less than the Floor Price;
- 8) Bids at a price more than the Cap Price;
- 9) Submission of more than five ASBA Bid cum Application forms per bank account;
- 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 [●];
- 12) Category not ticked;
- 13) Multiple bids as defined in the 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 stock invest / money order / postal order / cash;
- 16) Signature of sole and / or joint bidders missing. With respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
- 17) Bid cum Application Form does not have the stamp of the BRLM or Syndicate Member;
- 18) ASBA Bid cum Application Form does not have the stamp of the SCSB, except for ASBA Bid cum Application Forms downloaded from the websites of the Stock Exchanges, in which case the ASBA Bid Cum Application Forms shall bear an unique application number;
- 19) Bids by QIBs not submitted through the BRLM / Syndicate Members or in case of ASBA Bids for QIBs, not intimated to the BRLM / Syndicate Members;
- 20) Bid cum Application Form does not have Bidder's depository account details;
- 21) In case no corresponding record is available with the Depository that matches the three parameters namely, PAN of the sole name of the Bidder, DP ID and beneficiary's account number;
- 22) Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid / Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
- 23) With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- 24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details, please refer to the paragraph titled "**Maximum and Minimum Bid Size**" on page 276;
- 25) Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Bank(s);
- 26) Bids by persons in the United States other than in reliance of Regulations S of the Securities Act;
- 27) Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- 28) Bids not uploaded on the terminals of the Stock Exchanges;
- 29) Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- 30) Bids by OCBs;
- 31) In case the DP ID, client identification number and PAN mentioned in the Bid Cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate do not match with the DP ID, client identification number and PAN available in the records with the depositories. Non-submissions of bank account details in the space provided in the application form;
- 32) ASBA Applications made by using duplicate copy of ASBA Bid cum Application Form downloaded from the website of the Stock Exchanges (i.e. two ASBA Bid cum Application Forms bearing the same unique identification number);
- 33) Bids or revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid amount is in excess of ₹ 2,00,000 uploaded after 4.00 p.m. on the Bid / Issue Closing Date; and
- 34) Bids by NRIs not disclosing their residential status.

Basis of Allotment

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 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 15,92,500 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 15,92,500 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis not less than [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate Basis of Allotment, please refer below.

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 6,82,500 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 6,82,500 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis not less than [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate Basis of Allotment please refer below.

For Qualified Institutional Bidders in the Net QIB Portion

- Bids received from the QIB Bidders bidding in the Net QIB Portion 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 Net 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 Net QIB Portion shall be determined as follows:
 - i. In the event that Mutual Fund Bids exceeds 5% of the Net QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the Net QIB Portion.
 - ii. In the event that the aggregate demand from Mutual Funds is less than 5% of the Net 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 bidding in the Net QIB portion shall be determined as follows:
 - i. Under subscription below 5% of the Net QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
 - ii. In the event that the oversubscription in the Net QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the Net QIB Portion.
 - iii. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

The aggregate Allotment available for allocation to QIB Bidders bidding in the Net QIB Portion shall not be more than 22,75,000 Equity Shares.

For Anchor Investor Portion

Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the BRLM, subject to compliance with the following requirements:

- not more than 30% of the QIB Portion will be allocated to Anchor Investors;
- one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
- allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto ₹ 25,000 lacs and minimum number of five Anchor Investors for allocation more than ₹ 25,000 lacs.
- The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLM before the Bid / Issue Opening Date by intimating the Stock Exchanges.

Method of proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, we shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for;
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio;

- c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
- Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be Allotted Equity Shares arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.
- g) Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of our Company, in consultation with the BRLM.

Illustration of Allotment to QIBs and Mutual Funds (“MF”) in the Net QIB Portion

A. Issue Details

S. No.	Particulars	Issue details
1	Issue size	20,000 lac equity shares
2	Allocation to QIB (50%)	10,000 lac equity shares
3	Anchor Investor Portion	3,000 lac equity shares
4	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	7,000 lac equity shares
	Of which:	
	a. Allocation to MF (5%)	350 lac equity shares
	b. Balance for all QIBs including MFs	6,650 lac equity shares
5	No. of QIB applicants	10
6	No. of shares applied for	50,000 lac equity shares

B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in lacs)
1	A1	5,000
2	A2	2,000
3	A3	13,000
4	A4	5,000
5	A5	5,000

S.No	Type of QIB bidders#	No. of shares bid for (in lacs)
6	MF1	4,000
7	MF2	4,000
8	MF3	8,000
9	MF4	2,000
10	MF5	2,000
Total		50,000

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in lacs)

Type of QIB bidders	Shares bid for	Allocation of 350 lacs Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 6,650 lacs Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	500	0	665	0
A2	200	0	266	0
A3	1,300	0	1,729	0
A4	500	0	665	0
A5	500	0	665	0
MF1	400	70	532	602
MF2	400	70	532	602
MF3	800	140	1,064	1,204
MF4	200	35	266	301
MF5	200	35	266	301
	5,000	350	6,650	3,010

Please note:

- The illustration presumes compliance with the requirements specified in the Red Herring Prospectus in the chapter titled “*Issue Structure*” on page 268 of the Red Herring Prospectus.
- Out of 7,000 lacs shares allocated to QIBs, 350 lacs (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 2,000 lacs shares in QIB category.
- The balance 6,650 lacs shares (i.e. 7,000 - 350 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 5,000 lacs shares (including 5 MF applicants who applied for 2,000 lacs shares).
- The figures in the fourth column titled “Allocation of balance 6,650 lacs shares to QIBs proportionately” in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 665 / 4,965;
 - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 79.80/495.80; and

- The numerator and denominator for arriving at allocation of 6,650 lacs shares to the 10 QIBs are reduced by 350 lacs shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of section 68B of the Companies Act, the Equity Shares in the Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated October 25, 2010 with NSDL, our Company and Registrar to the Issue;
- a tripartite agreement dated November 01, 2010 with CDSL, our Company and Registrar to the Issue.

All bidders can seek Allotment only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- 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.
- The Bidder must necessarily fill in the details (including the beneficiary account number and DP ID) appearing in the Bid cum Application Form or Revision Form.
- Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- 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.
- 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.
- 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 their Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of our Company would be only be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in the 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 or the Designated Branch of the SCSBs where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

Bidders 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 Equity Shares in the respective

beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches of the SCSBs.

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.”

PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

- **Direct Credit** – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.
- **NECS** – Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the centres where such facility is made available, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
- **RTGS** – Applicants having a bank account at any of the centres where such facility is available and whose refund amount exceeds ₹ 1 lac, has 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 / NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- **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 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. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to ₹ 1,500 and through Speed Post / Registered Post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) 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.

Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within nine days of the Bid / Issue Closing Date.

Disposal of Applications and Application Moneys

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within ten days of the Bid / Issue Closing Date.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within ten days from the Bid / Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within ten 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.

Our 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 twelve Working Days of the Bid / Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within ten Working Days of the Bid / Issue Closing Date;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within ten days of the Bid / Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's Bank Account shall be made within eight days from the Bid / Issue Closing Date.

Our Company shall pay interest at 15% p.a. for any delay beyond the ten Working Days from the Bid / Issue Closing Date as mentioned above, if Allotment is not made and refund orders are not dispatched 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 and / or demat credits are not made to investors within eight days from the day our Company becomes liable to repay (i.e. ten Working Days after the Bid / Issue Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day our

Company becomes liable to repay it, our Company and every officer in default shall, on and from expiry of eight days, be liable to repay the money with interest at the rate of 15% as prescribed under section 73 of the Companies Act.

Letters of Allotment or Refund Orders or instructions to the SCSBs

We shall give credit to the beneficiary account with Depository Participants within ten Working Days from the Bid / Issue Closing Date. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and / or RTGS. Our Company shall ensure dispatch of refund orders, if any, of value up to ₹ 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above ₹ 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within ten days of the Bid / Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within ten days of the Bid / Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within eight Working days of the Bid / Issue Closing Date, which shall be completed within one Working Day after the receipt of such instruction from the Registrar to the Issue.

Interest in case of delay in dispatch of Allotment Letters or Refund Orders / instruction to SCSBs by the Registrar to the Issue

Our Company agrees that the Allotment of Equity Shares in the Issue shall be made not later than ten Working Days of the Bid / Issue Closing Date. Our Company further agrees that it shall pay interest at the rate of 15% p.a. if the Allotment letters or 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 in the disclosed manner within ten Working Days from the Bid / Issue Closing Date or instructions to SCSBs to unblock funds in the ASBA Accounts shall be given within eight Working Days of the Bid / Issue Closing Date, as the case may be.

Our Company 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 our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Undertaking by our Company

Our Company undertakes the following that:

- the complaints received in respect of the Issue shall be attended to expeditiously and satisfactorily;
- 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 twelve Working Days of the Bid / Issue Closing Date;
- the funds required for making refunds as per the modes disclosed or dispatch of Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within ten Working Days of the 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;
- Instructions to SCSBs to unblock funds in the ASBA Accounts shall be given within nine working days of the

Bid / Issue Closing Date;

- the instruction for electronic credit of Equity Shares / refund orders / intimation about the refund to non-resident Indians shall be completed within the specified time;
- no further Issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.;
- adequate arrangements shall be made to collect all ASBA Bid cum Application Forms and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment;
- the certificates of the securities/ refund orders to the Eligible NRIs shall be despatched within specified time; and
- the Promoters' contribution in full wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in *pro rata* basis before the calls are made on public.

Withdrawal of the Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with the Issue at any time, after the Bid / Issue Opening Date, but before the Allotment of Equity Shares. In such an event our Company would issue a public notice in the newspapers, in which the pre Issue advertisements were published within two days of the Bid / Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also promptly inform the same to the Stock Exchanges on which our Equity Shares are proposed to be listed. Any further issue of Equity Shares by our Company shall be in compliance with applicable laws. If the Issue is withdrawn after the Bid / Issue Closing date, our Company shall be required to file a fresh offer document with SEBI. The BRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day from the day of receipt of such notification.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment and (ii) the final ROC approval of the Prospectus after it is filed with the ROC.

Utilization of the Issue proceeds

The Board of Directors of our Company certifies that:

- a) all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- b) details of all monies utilized out of the Issue referred above shall be disclosed and continue to be disclosed till the time any part of the Issue proceeds remains unutilized under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- c) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and
- d) Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilisation of the proceeds of the Issue.

Our Company shall not have recourse to the Issue Proceeds until the approval, for listing and 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 (the “**Industrial Policy**”) of the GoI and FEMA. While the Industrial Policy 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. FIIs are permitted 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.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or 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 SEBI/ RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

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. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION IX: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of our Company.

Pursuant to the SEBI (ICDR) Regulations, the main provisions of the Articles of Association of the Company are detailed below:

CAPITAL

3. *Share Capital*

The Authorised Share Capital of the Company shall be such amount, divided into such class(es) denomination(s) and number of shares in the Company as stated in Clause V of the Memorandum Of Association of the Company, with power to increase or reduce such Capital from time to time and power to divide the shares in the Capital for the time being into other classes and to attach thereto respectively such preferential, convertible, deferred, qualified, or other special rights, privileges, conditions or restrictions and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with the regulations of the Company or the provisions of the Company or the provisions of the law for the time being in force and consolidate, sub-divide the shares and issue shares of higher or lower denomination.

Further, the Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.

4. *Increase of capital by the Company how carried into effect*

The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act.

5. *New Capital same as existing capital*

Except so far as otherwise provided by the conditions of issue or by These Presents, any capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

6. *Non Voting Shares*

The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.

7. *Redeemable Preference Shares*

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue

shall prescribe the manner, terms and conditions of redemption.

8. Voting rights of preference shares

The holder of Preference Shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his Preference Shares.

10. Reduction of capital

The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce

- (a) the share capital;
- (b) any capital redemption reserve account; or
- (c) any security premium account.

in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

11. Sub-division consolidation and cancellation of Shares

Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

MODIFICATION OF RIGHTS

12. Modification of rights

Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall mutatis mutandis apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.

The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking *pari passu* therewith.

SHARES, CERTIFICATES AND DEMATERIALISATION

13. Restriction on allotment and return of allotment

The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

14. Further issue of shares

- (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares then:
 - (a) Such further Shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those Shares at that date;
 - (b) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined;
 - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;
 - (d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.
- (2) Notwithstanding anything contained in sub-clause (1), the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.
 - (a) If a Special Resolution to that effect is passed by the Company in General Meeting; or
 - (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed;
 - (a) To extend the time within which the offer should be accepted; or
 - (b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued by the Company:
 - (a) To convert such debentures or loans into Shares in the Company; or
 - (b) To subscribe for Shares in the Company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the loans.

15. *Shares at the disposal of the Directors*

(1) Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

15A. *Power to offer Shares/options to acquire Shares*

- (1) Without prejudice to the generality of the powers of the Board under Article 15 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.
- (2) In addition to the powers of the Board under Article 15A(1), the Board may also allot the Shares referred to in Article 15A(1) to any trust, whose principal objects would *inter alia* include further transferring such Shares to the Company's employees (including by way of options, as referred to in Article 15A(1)) in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.
- (3) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 15A(1) and (2) above.

16. *Application of premium received on Shares*

- (1) Where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the securities premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the securities premium account were paid up share capital of the Company.
- (2) The securities premium account may, notwithstanding anything in clause (1) thereof be applied by the Company:
 - (a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus shares;
 - (b) In writing off the preliminary expenses of the Company;
 - (c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company ; or
 - (d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.

17. *Power also to Company in General Meeting to issue Shares*

In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

17A. Power of General Meeting to authorize Board to offer Shares/Options to employees

- (1) Without prejudice to the generality of the powers of the General Meeting under Article 17 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose.
- (2) In addition to the powers contained in Article 17A(1), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.

18. Shares at a discount

The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:

- (a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;
- (b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and
- (c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

19. Installments of Shares to be duly paid

If by the conditions of any allotment of any Shares the whole or any part of the amount or issued price thereof shall, be payable by installments, every such installment shall when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the Shares or his legal representatives, and shall for the purposes of these Articles be deemed to be payable on the date fixed for payment and in case of non-payment the provisions of these Articles as to payment of interest and expenses forfeiture and like and all the other relevant provisions of the Articles shall apply as if such installments were a call duly made notified as hereby provided.

20. The Board may issue shares as fully paid up

Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the

Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.

21. Acceptance of Shares

Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.

22. Deposit and call etc., to be debt payable

The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

23. Liability of Members

Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

24(A). Dematerialisation of securities

Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

24(B). Options to receive security certificates or hold securities with depository

Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository.

Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.

24(C). Securities in depositories to be in fungible form

All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

24(D). Rights of depositories and beneficial owners

- (1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner;
- (2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;

- (3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.

24(E). Depository to furnish information

Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

24(F). Service of documents

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronics mode or by delivery of floppies or discs.

24(G). Option to rematerialize the Security

If a Beneficial Owner seeks to rematerialize the Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate representing the Security to the Beneficial Owner or the transferee as the case may be.

24(H). Section 83 and 108 of the Act not to apply

Notwithstanding anything to the contrary contained in the Articles:

- (1) Section 83 of the Act shall not apply to the Shares held with a Depository;
- (2) Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.

25. Share certificate

- (a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.
- (b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.
- (c) The Board may, from time to time, subject to the provisions of the Act and these Articles sub-divide/consolidate the Share Certificates.

25A. Limitation of time for issue of certificates

Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may

prescribe and approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.

26. Renewal of share certificate

No certificate of any Share or Shares shall be issued either in exchange for those, which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.

PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.

27. Issue of new certificate in place of one defaced, lost or destroyed

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Subject to the provisions of Article 26, every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to Debentures of the Company.

28. Issue of new certificate in place of one defaced, lost or destroyed

If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.

29. Issue of new certificate in place of one defaced, lost or destroyed

In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.

30. Buy-Back of Shares and Securities

Notwithstanding anything contained in these articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back, such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, provision of section 77 and SEBI (Buy back of Shares) Regulations as may be permitted by law.

31. Employees Stock Options Scheme / Plan

Subject to the relevant provisions in ICDR and the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Directors shall have the power to offer, issue and allot Equity Shares in or Debentures (whether fully/ partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as “the Employees”) as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust, plan or proposal that may be formulated, created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.

32. Sweat Equity

Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.

33. Postal Ballot

The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.

34. Company not bound to recognize any interest in Shares other than of registered holder

Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

35. Trust recognised

- (a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.
- (b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.

36. Declaration by person not holding beneficial interest in any Shares

- (1) Notwithstanding anything herein contained a person whose name is at any time entered in Register of Member of the Company as the holder of a Share in the Company, but who does not hold the beneficial interest in such Shares, shall, if so required by the Act within such time and in such forms as may be prescribed, make declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such Share in the manner provided in the Act

- (2) A person who holds a beneficial interest in a Share or a class of Shares of the Company, shall if so required by the Act, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the Shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in the Act.
- (3) Whenever there is a change in the beneficial interest in a Share referred to above, the beneficial owner shall, of so required by the Act, within the time prescribed, from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed in the Act
- (4) Notwithstanding anything contained in the Act and Articles 35 and 36 hereof, where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.

37. Funds of Company not to be applied in purchase of Shares of the Company

No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

UNDERWRITING AND BROKERAGE

38. Commission may be paid

Subject to the provisions of Section 76 of the Act, the Company may at anytime pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares in or debentures of the Company but so that the commission shall not exceed in the case of the Shares five percent of the price at which the Shares are issued and in the case of debentures two and half percent of the price at which the debenture are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid Shares or debentures as the case may be or partly in one way and partly in the other.

39. Brokerage

The Company may on any issue of Shares or Debentures or on deposits pay such brokerage as may be reasonable and lawful.

40. Commission to be included in the annual return

Where the Company has paid any sum by way of commission in respect of any Shares or Debentures or allowed any sums by way of discount in respect to any Shares or Debentures, such statement thereof shall be made in the annual return as required by Part I of Schedule V to the Act.

DEBENTURES

42. Debentures with voting rights not to be issued

- (a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.
- (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.

- (c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- (d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.
- (e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.
- (f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred.
- (g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of Debenture Trust Deed and inspection thereof.
- (h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

CALLS

43. *Directors may make calls*

- (a) Subject to the provisions of Section 91 of the Act, any of the Board of Directors, may from time to time and upon authorization by a resolution passed at a general meeting of the Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.
- (b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

44. *Notice of call when to be given*

Not less than fourteen days notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

45. *Call deemed to have been made*

A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.

46. *Directors may extend time*

The Directors may, from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members who from residence at a distance or other cause, the Directors may deem fairly entitled to such extension, but no member shall be entitled to such extension, save as a matter of grace and favour.

47. *Amount payable at fixed time or by installments to be treated as calls*

If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.

48. When interest on call or installment payable

If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

49. Evidence in action by Company against share holder

On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

50. Payment in anticipation of calls may carry interest

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall *mutatis mutandis* apply to the calls on Debentures of the Company.

LIEN

51. Partial payment not to preclude forfeiture

Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

52. Company's lien on Shares/ Debentures

The Company shall have first and paramount lien upon all Shares/Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such

Shares/ Debentures and no equitable interest in any Share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/Debentures; Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares/Debentures. The Directors may at any time declare any Shares/ Debentures wholly or in part exempt from the provisions of this Article.

53. As to enforcing lien by sale

The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same.

PROVIDED THAT no sale shall be made:-

- (a) Unless a sum in respect of which the lien exists is presently payable; or
- (b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency.

For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from on behalf of and in the name of such Members

The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.

54. Application of proceeds of sale

- (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and
- (b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

FORFEITURE OF SHARES

55. If money payable on Shares not paid notice to be given

If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

56. Sum payable on allotment to be deemed a call

For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

57. Form of notice

The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.

58. In default of payment Shares to be forfeited

If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.

59. Notice of forfeiture to a Member

When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

60. Forfeited Shares to be the property of the Company and may be sold etc.

Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

61. Member still liable for money owing at the time of forfeiture and interest

Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

62. Effects of forfeiture

The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.

63. Power to annul forfeiture

The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

64. Declaration of forfeiture

- (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary
- (b) of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.
- (c) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.

- (d) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.
- (e) Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.
- (f) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the Shares.

65. Provisions of these articles as to forfeiture to apply in case of nonpayment of any sum

The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

66. Cancellation of shares certificates in respect of forfeited Shares

Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.

67. Evidence of forfeiture

The declaration as mentioned in Article 64(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

68. Validity of sale

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

69. Surrender of Shares

The Directors may subject to the provisions of the Act, accept surrender of any share from any Member desirous of surrendering on such terms and conditions as they think fit.

TRANSFER AND TRANSMISSION OF SHARES

70. No transfers to minors etc.

No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

71. Instrument of transfer

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and

statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

72. Application for transfer

- (a) An application for registration of a transfer of the Shares in the Company may be made either by the transferor or the transferee.
- (b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- (c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

73. Execution of transfer

The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.

74. Transfer by legal representatives

A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

75. Register of Members etc when closed

The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.

76. Directors may refuse to register transfer

Subject to the provisions of Section 111, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.

77. Death of one or more joint holders of Shares

In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest

in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.

78. Titles of Shares of deceased Member

The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.

79. Notice of application when to be given

Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

80. Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)

Subject to the provisions of the Act and Article 78 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy or insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the “Transmission Clause”.

81. Refusal to register nominee

Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.

82. Person entitled may receive dividend without being registered as a Member

A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.

83. No fee on transfer or transmissions

No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar document.

84. Transfer to be presented with evidence of title

Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally

under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

85. Company not liable for disregard of a notice prohibiting registration of transfer

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

SHARE WARRANTS

86. Power to issue share warrants

The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

87. Deposit of share warrants

- (a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant.
- (b) Not more than one person shall be recognized as depositor of the Share warrant.
- (c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.

88. Privileges and disabilities of the holders of share warrant

- (a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company.
- (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.

89. Issue of new share warrant coupons

The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

90. *Share may be converted into stock*

The Company may, by Ordinary Resolution convert any fully paid up Share into stock, and reconvert any stock into fully paid-up Shares.

91. *Transfer of stock*

The several holders of such stock may transfer their respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit.

PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.

92. *Right of stock holders*

The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them in Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.

93. *Regulation applicable to stock and share warrant*

Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

MEETING OF MEMBERS

100. *Annual General Meeting*

- (a) The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.
- (b) An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of next.
- (c) Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time with which any Annual General Meeting may be held.
- (d) Every Annual General Meeting shall be called at a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the Registered Office of the Company is situated as the Board may determine and the notices calling the Meeting shall specify it as the Annual General Meeting.
- (e) The company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting.
- (f) Every Member of the Company shall be entitled to attend, either in person or by proxy and the Auditors of the Company shall have the right to attend and be heard at any General Meeting which he attends on any part of the business which concerns him as an Auditor.

- (g) At every Annual General Meeting of the Company, there shall be laid on the table the Director's Report and Audited statement of accounts, the Proxy Register with proxies and the Register of Director's Shareholding, which Registers shall remain open and accessible during the continuance of the Meeting.
- (h) The Board shall cause to be prepared the annual list of Members, summary of share capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

102. Extra-Ordinary General Meeting

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.

103. Requisitionists' Meeting

- (1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:-
 - (a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.
 - (b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting.
- (2) The number of Members necessary for a requisition under clause (1) hereof shall be:
 - (a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or
 - (b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lakh in all.
- (3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter.
- (4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:
 - (a) A copy of the requisition signed by the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company.
 - i. In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting;
 - ii. In the case of any other requisition, not less than two weeks before the Meeting, and
 - (b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

PROVIDED THAT if, after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes thereof.

- (5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Company Law Board is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.
- (6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.

104. Extra-Ordinary General Meeting by Board and by requisition

- (a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.
- (b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.

108. Special and ordinary business and explanatory statement

- (1) (a) In the case of an Annual General Meeting all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to
 - (i) the consideration of the accounts, balance sheet, the reports of the Board of Directors and Auditors;
 - (ii) the declaration of dividend;
 - (iii) the appointment of Directors in the place of those retiring; and
 - (iv) the appointment of, and the fixing of the remuneration of the Auditors, and
- (b) In the case of any other meeting, all business shall be deemed special.
- (2) Where any items of business to be transacted at the Meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein of every Director.

PROVIDED THAT where any such item of special business at the Meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every Director of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up-share capital of the other company.

- (3) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

110. Notice of business to be given

No General Meeting, Annual or Extra-Ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the Meeting.

111. Quorum

Five Members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite is present at the commencement of the Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a Member of the Company shall be deemed to be personally present if it is presented in accordance with Section 187 of the Act.

112. If quorum not present when Meeting to be dissolved and when to be adjourned

If within half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if called by or upon the requisition of the Members shall stand dissolved and in any other case the Meeting shall stand, adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum and may transact the business for which the Meeting was called.

113. Resolution passed at adjourned Meeting

Where a resolution is passed at an adjourned Meeting of the Company, the resolution for all purposes is treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

114. Chairman of General Meeting.

At every General Meeting the Chair shall be taken by the Chairman of the Board of Directors. If at any Meeting, the Chairman of the Board of Directors is not present within ten minutes after the time appointed for holding the Meeting or though present, is unwilling to act as Chairman, the Vice Chairman of the Board of Directors would act as Chairman of the Meeting and if Vice Chairman of the Board of Directors is not present or, though present, is unwilling to act as Chairman, the Directors present may choose one of themselves to be a Chairman, and in default or their doing so or if no Directors shall be present and willing to take the Chair, then the Members present shall choose one of themselves, being a Member entitled to vote, to be Chairman.

114(A). Act for resolution sufficiently done or passed by Ordinary Resolution unless otherwise required

Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently done so or passed if effected by an Ordinary Resolution unless either the Act or the Articles specifically require such act to be done or resolution be passed by a Special Resolution.

115. Business confined to election of Chairman whilst the Chair is vacant

No business shall be discussed at any General Meeting except the election of a Chairman whilst the Chair is vacant.

116. Chairman may adjourn Meeting

- (a) The Chairman may with the consent of Meeting at which a quorum is present and shall if so directed by the Meeting adjourn the Meeting from time to time and from place to place.

- (b) No business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place
- (c) When a Meeting is adjourned for thirty days or more notice of the adjourned Meeting shall be given as in the case of an original Meeting.
- (d) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned Meeting.

117. How questions are decided at Meetings

Every question submitted to a General Meeting shall be decided in the first instance by a show of hands unless the poll is demanded as provided in these Articles.

118. Chairman's declaration of result of voting on show of hands

A declaration by the Chairman of the Meeting that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceeding of the Company's General Meeting shall be conclusive evidence of the fact, without proof of the number or proportion of votes cast in favour of or against such resolution.

119. Demand of poll

Before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Member or Members present in person or by proxy and holding Shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the Person or Persons who made the demand.

120. Time of taking poll

A poll demanded on a question of adjournment or election of a Chairman shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the Meeting may direct and the result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.

121. Chairman's casting vote

In the case of equality of votes, the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

122. Appointment of scrutineers

Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.

123. Demand for poll not to prevent transaction of other business

The demand for a poll shall not prevent transaction of other business (except on the question of the election of the Chairman and of an adjournment) other than the question on which the poll has been demanded.

124. Special notice

Where by any provision contained in the Act or in these Articles, special notice is required for any resolution, the notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the Meeting at which it is to be moved, exclusive of the day which the notice is served or deemed to be served on the day of the Meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its Members notice of the resolution in the same manner as it gives notice of the Meeting, or if that is not practicable shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the Meeting.

VOTES OF MEMBERS

125. Member paying money in advance not to be entitled to vote in respect thereof

A Member paying the whole or a part of the amount remaining unpaid on any Share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of moneys so paid by him until the same would but for such payment become presently payable.

126. Restriction on exercise of voting rights of Members who have not paid calls

No Member shall exercise any voting rights in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

127. Number of votes to which Member entitled

Subject to the provisions of Article 125, every Member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative), or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company.

Provided however, if any preference shareholder is present at any meeting of the Company, (save as provided in clause (b) of sub-section (2) of Section 87) he shall have a right to vote only on resolutions before the Meeting which directly affect the rights attached to his preference shares.

A Member is not prohibited from exercising his voting rights on the ground that he has not held his Shares or interest in the Company for any specified period proceeding the date on which the vote is taken.

128. Votes of Members of unsound mind

A Member of unsound mind, or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.

129. Votes of joint Members

If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a

deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.

130. Representation of body corporate

- (a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat.
- (b) Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.

131. Votes in respects of deceased or insolvent Members

Any person entitled under the Transmission Article to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares; provided that at least forty-eight hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of the right to transfer such Shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

132. Voting in person or by proxy

Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.

133. Rights of Members to use votes differently

On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

134. Proxies

Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself. PROVIDED that a proxy so appointed shall not have any right whatsoever to speak at the Meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Member of the Company.

135. Proxy either for specified meeting or for a period

An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

136. No proxy to vote on a show of hands

No proxy shall be entitled to vote by a show of hands.

137. Instrument of proxy when to be deposited

The instrument appointing a proxy and the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney or authority, shall be deposited at the Registered Office of the Company at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.

138. Form of Proxy

Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.

139. Validity of votes given by proxy notwithstanding revocation of authority

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any Power of Attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.

140. Time for objection to vote

No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.

141. Chairman of any Meeting to be the judge of Validity of any value

The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

142. Custody of Instrument

If any such instrument of appointment is confined to the object of appointing an attorney or proxy for voting at Meetings of the Company, it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If such instrument embraces other objects, a copy thereof examined with the original shall be delivered to the Company to remain in the custody of the Company.

DIRECTORS

143. Number of Directors

Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.

143A

- (a) Notwithstanding anything contained in these Articles so long as one or more persons specified ("Specified Persons") as defined in sub-article (b) of this Article, whether singly or collectively in any combination whatsoever, hold not less than 15% of the subscribed Equity Share Capital of the Company, Shri L. Vinay Reddy or any person nominated in this behalf by him, shall be entitled to appoint in the aggregate such number of directors not exceeding one third of the total number of directors (or upto such number or proportion as may be permitted under the provisions of the Act) on the Board of Directors of the company and to remove any such director so appointed and to appoint another in his place or in place of any such Director who resigns or otherwise vacates such office. Such appointment/removal shall be effected by writing to the Board and shall take effect immediately upon such writing being delivered at the Registered Office/Corporate Office/Head Office of the Company. Any director so appointed shall not be liable to retire by rotation under the provisions of Section 255 of the Act at any general meeting of the Company and nor shall such Director be required to hold qualification shares, if any. Provided however, that the number of Directors to be appointed in accordance with this Article shall be reduced by the number of Directors to be appointed under the rights conferred upon the public financial institutions under any statutory provisions or under any arrangement entered into and/or under any agreement with such public financial institutions to nominate a Director(s) on the Board of the Company.
- (b) For the purposes of this Article the following persons shall be the 'Specified Persons' referred to in sub-clause(a) above;
 - (i) The promoter;
 - (ii) The relatives of any one or more of the Promoter;
 - (iii) Any company or corporation or body incorporate in which not less than 15% of the subscribed equity share capital or capital or corpus whichever is less, is held whether singly or collectively, by one or more of the persons specified in clause (i) and (ii) above;
 - (iv) Any subsidiary or holding company or company which is under the same management of any company, corporation or body corporate specified in clause (iii) above;
 - (v) Any company , corporation or body corporate in which not less than 15% of the Equity share capital is held by any one or more companies, corporations or bodies Corporate specified in clause (iii) and (iv) whether by singly or together with one or more persons specified in clauses (i), (ii) (iii) and (iv) of this sub-article.

Any partnership, Limited Liability Partnership or other firm, trust, association of persons body of individuals or any other entity, whether incorporated or not, of which not less than 15% of the total profit or benefit accrues , arises or becomes due to the persons specified in clauses (i), (ii), (iii), (iv), and (v) of this sub-article whether singly or collectively.

144. *Appointment of Directors*

The appointment of Directors of the Company shall be in accordance with the provisions of the Act and these Articles, to the extent applicable.

145. *Debenture Directors*

Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture

Director” means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.

146. Nominee Director or Corporation Director

- (a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any Finance Corporation or Credit Corporation or to any Financing company or body, (which corporation or body is hereinafter in this Article referred to as “the corporation”) out of any loans granted or to be granted by them to the Company or so long as the corporation continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as “Nominee Director(s)”) on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/their places.
- (b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.
- (c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall *ipso facto* vacate such office immediately on the moneys owing by the Company to the Corporation being paid off.
- (d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.
- (e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation.

Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.

147. Special Director

- (a) In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company, corporation, firm or person herein-after in this clause referred to as “collaboration” to appoint from time to time any person as director of the company (hereinafter referred to as “special director”) and may agree

that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter.

- (b) The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.
- (c) It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more than one collaborator is so entitled there may be at any time as many special directors as the collaborators eligible to make the appointment.

148. Limit on number of non-retiring Directors

The provisions of Articles 147, 148 and 149 are subject to the provisions of Section 255 of the Act and number of such Directors appointed shall not exceed in the aggregate one third of the total number of Directors for the time being in office.

149. Alternate Director

The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

150. Directors may fill in vacancies

The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.

151. Additional Directors

Subject to the provisions of Section 260 of the Act, the Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board ("Additional Director") so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.

152. Qualification shares

A Director need not hold any qualification shares.

153. Director's sitting fees

The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.

154. Extra remuneration to Directors for special work

Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing, shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided.

Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either:

- i. by way of monthly, quarterly or annual payment with the approval of the Central Government; or
- ii. by way of commission if the Company by a Special Resolution authorised such payment.

156. Director may act notwithstanding vacancy

The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Director or Directors may act for the purpose of increasing the number of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.

ROTATION AND APPOINTMENT OF DIRECTORS

168. Rotation of Directors

Not less than two third of the total number of Directors shall:

- (a) Be persons whose period of the office is liable to termination by retirement by rotation and
- (b) Save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.

169. Retirement of Directors

Subject to the provisions of Articles 147 and 149, the non-retiring Directors should be appointed by the Board for such period or periods as it may in its discretion deem appropriate.

170. Retiring Directors

Subject to the provisions of Section 256 of the Act and Articles 145 to 152, at every Annual General Meeting of the Company, one-third or such of the Directors for the time being as are liable to retire by rotation; or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. The Debenture Directors, Nominee Directors, Corporation Directors, Managing Directors if any, subject to Article 183, shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles a "Retiring Director" means a Director retiring by rotation.

171. Appointment of Technical or Executive Directors

- (a) The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors.
- (b) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.

172. Ascertainment of Directors retiring by rotation and filling of vacancies

Subject to Section 256 of the Act, the Directors retiring by rotation under Article 170 at every Annual General Meeting shall be those, who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves be determined by the lot.

173. Eligibility for re-election

A retiring Director shall be eligible for re-election and shall act as a Director through out and till the conclusion of the Meeting at which he retires.

174. Company to fill vacancies

At the General Meeting, at which a Director retires as aforesaid, the Company may fill up the vacancy by appointing the retiring Director or some other person thereto.

176. Company may increase or reduce the number of Directors or remove any Director

Subject to the provisions of Section 252, 255 and 259 of the Act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors and may alter qualifications.

177. Appointment of Directors to be voted individually

- (a) No motion, at any General Meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the Meeting without any vote being given against it.
- (b) A resolution moved in contravention of clause (a) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided where a resolution so moved has passed no provisions or the automatic re-appointment of retiring Directors in default of another appointment as therein before provided shall apply.
- (c) For the purposes of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

MANAGING DIRECTOR

181. Powers to appoint Managing Director

Subject to the provisions of Section 198, 267, 268, 269, 316 and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors or Whole-time Directors of the Company, for a fixed term not exceeding five years as to the period for which he is or they are to hold such office, and may, from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

- (a) The Managing Director shall perform such functions and exercise such powers as are delegated to him by the Board of Directors of the Company in accordance with the provisions of the Companies Act, 1956.
- (b) Subject to the provisions of Sections 255 of the Act, the Managing Director shall not be, while he continues to hold that office, subject to retirement by rotation.

182. Remuneration of Managing Director

Subject to the provisions of Sections 198, 269, 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receive such remuneration as may from time to time be approved by the Company.

183. Special position of Managing Director

Subject to any contract between him and the Company, a Managing or Whole-time Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, *ipso facto* and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

184. Powers of Managing Director

The Director may from time to time entrust to and confer upon a Managing Director or Whole-time Director for the time being such of the powers exercisable under these provisions by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and from time to time, revoke, withdraw, alter, or vary all or any of such powers.

185.

The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Whole-time Director or Whole-time Directors of the Company and may exercise all the powers referred to in these Articles.

187.

The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit.

188.

Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.

188A. Appointment and powers of Manager

The Board may, from time to time, appoint any person as Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient.

WHOLE TIME DIRECTOR

189. Power to appoint Whole-Time Director and/or Whole-time Directors

Subject to the provisions of the Act and of these Articles, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of its Director/s or other person/s as Whole-Time Director or Whole-Time Directors of the Company out of the Directors/persons nominated under Article only either for a fixed term that the Board may determine or permanently for life time upon such terms and conditions as the Board may determine and thinks fit. The Board may by ordinary resolution and/or an agreement/s vest in such Whole-Time Director or Whole Time Directors such of the powers, authorities and functions hereby vested in the Board generally as it thinks fit and such powers may be made exercisable and for such period or periods and upon such conditions and subject to such restrictions as it may be determined or specified by the Board and the Board has the powers to revoke, withdraw, alter or vary all or any of such powers and/or remove or dismiss him or them and appoint another or others in his or their place or places again out of the Directors/persons nominated under Article 190 only. The Whole Time Director or Whole Time Directors will be entitled for remuneration as may be fixed and determined by the Board from time to time either by way of ordinary resolution or a Court act/s or an agreement/s under such terms not expressly prohibited by the Act.

190. To what provisions Whole time Directors shall subject

Subject to the provisions of Section 255 of the Act and these Articles, a Whole Time Director or Whole Time Directors shall not, while he/they continue to hold that office, be liable to retirement by rotation but (subject to the provisions of any contract between him/they and the Company) he/they shall be subject to the same provision as to resignation and removal as the other Directors and he/they shall *ipso facto* and immediately ceases or otherwise cease to hold the office of Director/s for any reason whatsoever save that if he/they shall vacate office whether by retirement, by rotation or otherwise under the provisions of the Act in any Annual General Meeting and shall be re-appointed as a Director or Directors at the same meeting he/they shall not by reason only of such vacation, cease to be a Whole Time Director or Whole Time Directors.

191. Seniority of Whole Time Director and Managing Director

If at any time the total number of Managing Directors and Whole Time Directors is more than one-third who shall retire shall be determined by and in accordance with their respective seniorities. For the purpose of this Article, the seniorities of the Whole Time Directors and Managing Directors shall be determined by the date of their respective appointments as Whole Time Directors and Managing Directors of the Company.

PROCEEDINGS OF THE BOARD OF DIRECTORS

192. Meeting of Directors

The Directors may meet together as a Board for the dispatch of business from time to time, and unless the Central Government by virtue of the provisions of Section 285 of the Act allow otherwise, Directors shall so meet at least once in every three months and atleast four such Meetings shall be held in every year. The Directors may adjourn and otherwise regulate their Meetings as they think fit. The provisions of this Article shall not be deemed to have been contravened merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum.

193. Quorum

- (a) Subject to Section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one third being rounded off as one) or two Directors whichever is higher.

PROVIDED that where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the Total Strength, the number of the remaining Directors that is to say, the number of directors who are not interested present at the Meeting being not less than two shall be, the quorum during such time.

(b) For the purpose of clause (a)

- (i) "Total Strength" means total strength of the Board of Directors of the Company determined in pursuance of the Act after deducting there from number of the Directors if any, whose places may be vacant at the time, and
- (ii) "Interested Directors" mean any Directors whose presence cannot by reason of any provisions in the Act count for the purpose of forming a quorum at a meeting of the Board at the time of the discussion or vote on any matter.

194. Procedure when Meeting adjourned for want of quorum

If a meeting of the Board could not be held for want of quorum then, the Meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place, unless otherwise adjourned to a specific date, time and place.

195. Chairman of Meeting

The Chairman of the Board of Directors shall be the Chairman of the meetings of Directors, provided that if the Chairman of the Board of Directors is not present within five minutes after the appointed time for holding the same, meeting of the Director shall choose one of their members to be Chairman of such Meeting.

196. Question at Board meeting how decided

Subject to the provisions of Section 316, 372(5) and 386 of the Act, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of any equality of votes, the Chairman shall have a second or casting vote.

197. Powers of Board meeting

A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act, or the Articles for the time being of the Company which are vested in or exercisable by the Board of Directors generally.

198. Directors may appoint Committee

The Board of Directors may subject to the provisions of Section 292 and other relevant provisions of the Act, and of these Articles delegate any of the powers other than the powers to make calls and to issue debentures to such Committee or Committees and may from time to time revoke and discharge any such Committee of the Board, either wholly or in part and either as to the persons or purposes, but every Committee of the Board so formed shall in exercise of the powers so delegated conform to any regulation(s) that may from time to time be imposed on it by the Board of Directors. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointments, but not otherwise, shall have the like force and effect, as if done by the Board.

199. Meeting of the Committee how to be governed

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding article. Quorum for the Committee meetings shall be two.

200. Circular resolution

- (a) A resolution passed by circulation without a meeting of the Board or a Committee of the Board appointed under Article 199 shall subject to the provisions of sub-clause (b) hereof and the Act, be as valid and effectual as the resolution duly passed at a meeting of Directors or of a Committee duly called and held.
- (b) A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation if the resolution has been circulated in draft together with necessary papers if any to all the Directors, or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and to all other Directors or members of the Committee at their usual addresses in India or to such other addresses outside India specified by any such Directors or members of the Committee and has been approved by such of the Directors or members of the Committee, as are then in India, or by a majority of such of them as are entitled to vote on the resolution.

201. Acts of Board or Committee valid notwithstanding defect in appointment

All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered; that there was some defect in the appointment of one or more of such Directors or any person acting as aforesaid; or that they or any of them were disqualified or had vacated office or that the appointment of any of them is deemed to be terminated by virtue of any provision contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director; provided nothing in the Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

202. General powers of management vested in the Board of Directors

Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall pay all expenses incurred in promoting and registering the Company and shall be entitled to exercise all such powers and to do such acts and things as the Company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in general meeting. Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith and duly made thereunder including regulation made by the Company in general meeting, but no regulation made by the Company in general which would have been valid if that regulation had not been made.

210. The Seal, its custody and use

(a) Seal

The Board shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof.

(b) Common Seal for use outside India

The Board may for the purpose of use of the Common Seal outside India, cause a facsimile of the Common Seal to be made and authorize the use of it in the manner provided under Section 50 of the Companies Act, 1956

(c) Safe Custody of Seal

The Common Seal shall be in the safe custody of the Director or the Secretary for the time being of the Company.

(d) Affixing of Seal on deeds and instruments

On every deed or instrument on which the Common Seal of the Company is required to be affixed, the Seal be affixed in the presence of a Director or a Secretary or any other person or persons Authorised in this behalf by the Board, who shall sign every such deed or instrument to which the Seal shall be affixed.

(e) Affixing of Seal on Share Certificates

Notwithstanding anything contained in Clause (d) above, the Seal on Share Certificates shall be affixed in the presence of such persons as are Authorised from time to time to sign the Share Certificates in accordance with the provisions of the Companies (Issue of Share Certificates) Rules in force for the time being.

(f) Removal of Common Seal outside the office premises

The Board may authorize any person or persons to carry the Common Seal to any place outside the Registered Office for affixture and for return to safe custody to the Registered Office.

DIVIDENDS AND CAPITALISATION OF RESERVES

211. Division of profits

- (a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares;
- (b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.

212. The Company at General Meeting may declare dividend

The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.

213. Dividends out of profits only

No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

214. Interim Dividend

The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.

215. Payment of Dividend in case of Transmission

The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.

216. Capital paid-up in advance to carry interest, not the right to earn dividend

Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

217. Dividends in proportion to amounts paid-up

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.

218. No Member to receive dividend while indebted to the Company and the Company's right in respect thereof

No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

219. Effect of transfer of Shares

A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.

220. Dividend to joint holders

Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

221. Dividend how remitted

The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

222. Notice of Dividend

Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.

223. Reserves

The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

224. Dividend to be paid within time required by law.

The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-

- (a) where the dividend could not be paid by reason of the operation on any law; or
- (b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or
- (c) where there is dispute regarding the right to receive the dividend; or
- (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or
- (e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

225. Unpaid or unclaimed dividend

- (a) Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, to any shareholder entitled to the payment of dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called “Lovable Lingerie Limited _____ (year) Unpaid Dividend Account”.
- (b) Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.
- (c) No unclaimed or unpaid dividend shall be forfeited by the Board.

226. *Set-off of calls against dividends*

Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.

227. *Dividends in cash*

No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.

228. *Capitalisation*

- (1) The Company in General Meeting may, upon the recommendation of the Board, resolve:
 - (a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and
 - (b) That such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.
- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;
 - (a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or
 - (b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or
 - (c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b)
- (3) A security premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.

229. *Board to give effect*

The Board shall give effect to the resolution passed by the Company in pursuance of above Article.

230. *Fractional certificates*

- (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;
 - (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares and
 - (b) Generally do all acts and things required to give effect thereto.
- (2) The Board shall have full power:
 - (a) to make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also
 - (b) to authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf by the application thereof of the respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing Shares.
- (3) Any agreement made under such authority shall be effective and binding on all such Members.
- (4) That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.

ACCOUNTS

231. *Books to be kept*

- (1) The Company shall keep at its Registered Office proper books of account as would give a true and fair view of the state of affairs of the Company or its transactions with respect to:
 - (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place
 - (b) all sales and purchases of goods by the Company
 - (c) the assets and liabilities of the Company and
 - (d) if so required by the Central Government, such particulars relating to utilisation of material or labour or to other items of cost as may be prescribed by the Government

Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decides the Company shall within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.

- (2) Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with the provisions of clause (1) if proper books of account relating to the transaction effected at the branch are kept at that office and proper summarised returns, made upto date at intervals of not more than three months, are sent by the branch office to the Company at its Registered Office or the other place referred to in sub-clause (1). The books of accounts and other books and papers shall be open to inspection by any Director during business hours.

232. *Inspection by Members*

No Members (not being a Director) shall have any right of inspecting any account books or documents of the Company except as allowed by law or authorised by the Board.

233. *Statements of accounts to be furnished to General Meeting*

The Board of Directors shall from time to time in accordance with Sections 210, 211, 212, 216 and 217 of the Act, cause to be prepared and laid before each Annual General Meeting a profit and loss account for the financial year of the Company and a balance sheet made up as at the end of the financial year which shall be a date which shall not precede the day of the Meeting by more than six months or such extended period as shall have been granted by the Registrar under the provisions of the Act.

234. Right of Members or others to copies of balance sheet and Auditors' report and statement under Section 219

- (1) The Company shall comply with the requirements of Section 219 of the Act.
- (2) The copies of every balance sheet including the Profit & Loss Account, the Auditors' Report and every other document required to be laid before the Company in General Meeting shall be made available for inspection at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting.
- (3) A statement containing the salient features of such documents in the prescribed form or copies of the documents aforesaid, as the Company may deem fit will be sent to every Member of the Company and to every trustee of the holders of any Debentures issued by the Company not less than 21 days before the date of the Meeting.

235. Accounts to be audited

Once at least in every year the accounts of the Company shall be examined, balanced and audited and the correctness of the profit and loss Account and the balance sheet ascertained by one or more Auditor or Auditors.

236. Appointment of Auditors

- (1) Auditors shall be appointed and their qualifications, rights and duties regulated in accordance with Section 224 to 229 and 231 of the Act.
- (2) The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office from conclusion of that Meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment give intimation thereof to the Auditor so appointed unless he is a retiring Auditor.
- (3) At every Annual General Meeting a retiring Auditor by whatsoever authority appointed shall be reappointed unless:
 - (a) he is not qualified for re-appointment;
 - (b) he has given to the Company notice in writing of his unwillingness to be re-appointed;
 - (c) a resolution has been passed at that Meeting appointing some body instead of him or providing expressly that he shall not be re-appointed; or
 - (d) where notice has been given of an intended resolution to appoint some person or persons in the place of retiring Auditor, and by reason of the death, incapacity or disqualification of that person or of all those persons as the case may be, the resolution cannot be proceeded with.
- (4) Where at any Annual General Meeting no Auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy.
- (5) The Company shall within seven days of the central government's power under sub-clause (4) becoming exercisable give notice of that fact to that Government.

- (6) The Directors may fill any casual vacancy in the office of Auditors, but while any such vacancy continues, the surviving or continuing Auditor or Auditors (if any) may act but where such vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in General Meeting.
- (7) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless a special notice of a resolution for appointment of that person to the office of Auditor has been given by a Member to the Company not less than fourteen days before the Meeting in accordance with Section 190 of the Act and the Company shall send a copy of any such notice to retiring Auditor and shall give notice thereof, to the Members in accordance with Section 190 of the Act and all the other provisions of Section 225 of the Act shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that retiring Auditor shall not be re-appointed.

237. Accounts when audited and approved to be conclusive except as to errors discovered within 3 months

Every account when audited and approved by a General Meeting shall be conclusive except as regards any errors discovered therein within the next three months after the approval thereof. Whenever any such error is discovered within that period, the account shall be corrected, and amendments effected by the Directors in pursuance of this Article shall be placed before the Members in General Meeting for their consideration and approval and, on such approval, shall be conclusive.

DOCUMENTS AND NOTICES

238. To whom documents must be served or given

Document or notice of every Meeting shall be served or given on or to (a) every Member (b) every person entitled to a Share in consequence of the death or insolvency of a Member and (c) the Auditor or Auditors for the time being of the Company.

239. Members bound by documents or notices served on or given to previous holders

Every person, who by operation of law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every document or notice in respect of such Share, which prior to his name and address being entered in the Register of Members shall have been duly served on or given to the person from whom he derived, his title to such Share.

240. Service of documents on the Company

A document may be served on the Company or an officer thereof by sending it to the Company or officer at the Registered Office of the Company by post under a certificate of posting or by registered post or by leaving it at its Registered Office.

241. Authentication of documents and proceedings

Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the Company may be signed by a Director, the Managing Director, or the Secretary or other authorised officer of the Company and need not be under the Seal of the Company.

REGISTERS AND DOCUMENTS

242. Registers and documents to be maintained by the Company

The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:

- (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act

- (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.
- (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act.
- (d) Foreign register, if so thought fit, as required by Section 157 of the Act
- (e) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act.
- (f) Register of Directors and Secretaries etc. as required by Section 303 of the Act.
- (g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act.
- (h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.
- (i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.
- (j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.

243. *Inspection of Registers*

The registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in the case of the Register of Members of the Company provided for in clause (c) thereof. Copies of entries in the registers mentioned in the foregoing article shall be furnished to the persons entitled to the same on such days and during such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.

WINDING UP

244. *Distribution of assets*

If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the Shares held by them respectively, and if in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

245. *Distribution in specie or kind*

- (a) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidator, with the like sanction, shall think fit.

- (b) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributions (except where unalterably fixed by the Memorandum of Association and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.
- (c) In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable act accordingly.

246. Right of shareholders in case of sale

A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.

247. Directors and others right to indemnity

Every Director, Secretary or Officer of the Company or any person (whether an officer of the Company or not) employed by the Company and any person appointed as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Secretary, Officer, employee or Auditor in defending any proceedings, whether civil or criminal in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

248. Director, officer not responsible for acts of others

Subject to the provisions of Section 201 of the Act no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for and on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damages arising from the insolvency or tortuous act of any person, firm or Company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgment, omission, default or oversight on his part or for any other loss, damage, or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.

SECRECY CLAUSE

249. Secrecy Clause

Every Director/Manager, Auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant or any other person-employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself, to observe a strict secrecy respecting all transactions and affairs of the Company with the Company customers and the state of the accounts with individuals and in matter thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required to do so by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

250. No Member to enter the premises of the Company without permission

No Member or other person (not being a Director) shall be entitled to visit or inspect any property or premises of the Company without the permission of the Board of Directors or Managing Director, or to inquire discovery of or any information respecting any details of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.

SECTION X: 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 the 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 the Red Herring Prospectus, delivered to the Registrar of Companies, Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company between 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

1. Engagement letter dated July 20, 2010 to Anand Rathi from our Company, appointing them as the BRLM for the Issue.
2. Issue Agreement between our Company and the BRLM dated November 01, 2010.
3. Memorandum of Understanding executed between our Company and the Registrar to the Issue dated September 14, 2010.
4. Escrow Agreement dated February 21, 2011 among our Company, the BRLM, Escrow Collection Banks and the Registrar to the Issue.
5. Syndicate Agreement dated February 17, 2011 among our Company, the BRLM and the Syndicate Members.
6. Underwriting Agreement dated [●] among our Company, the BRLM and the Syndicate Members.

Material Documents

7. Memorandum and Articles of Association of our Company, as amended.
8. Certificate of incorporation dated September 29, 1987 and certificates for the subsequent name changes.
9. Resolution of the Board of Directors authorising the Issue dated June 15, 2010.
10. Shareholder's resolution dated July 8, 2010 in relation to the Issue and other related matters.
11. Auditor's report, including statement of tax benefits, dated February 15, 2011 on the restated financial statements of our Company by the Auditor;
12. Consents of the Auditors for inclusion of their report on restated financials in the form and context in which they appear in the Red Herring Prospectus.
13. Consents of the IPO grading agency, BRLM, Syndicate Members, Registrar to the Issue, Banker to the Issue, Legal Advisor to the Issue, Legal Advisors to our Company, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
14. Copies of the Annual Reports of our Company for the last 5 Years and the Auditor's Report for the 9 months period ended December 31, 2010;
15. In-principle listing approvals dated February 04, 2011 and December 02, 2010 from the NSE and the BSE respectively.

16. Tripartite agreement between NSDL, our Company and the Registrar to the Issue dated October 25, 2010.
17. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated November 01, 2010.
18. Due diligence certificate dated November 15, 2010 to SEBI from the BRLM.
19. SEBI observation letter no. CFD/DIL/ISSUES/SK/AT/5295/2011 dated February 15, 2011.
20. IPO Grading report dated February 15, 2011 by CARE.
21. Remuneration agreement between our Company and Mr. L. Vinay Reddy dated February 10, 2010.
22. Remuneration agreement between our Company and Mr. G. Ashok Reddy dated February 10, 2010.
23. Remuneration agreement between our Company and Mr. L. Jaipal Reddy dated February 10, 2010.
24. Joint venture agreement between our Company and Lifestyle Galleries of London Limited (UK) dated July 15, 2010
25. Deed of assignment of trademark (“*College Style*”) between our Company and Levitus Trading Limited (Hong Kong) dated March 17, 2009.
26. Memorandum of understanding between our Company and Maxwell Industries Limited dated March 18, 2004.
27. Agreement between our Company and Lovable World Trading Co, Inc (United States of America) dated December 23, 2000 to acquire ownership of brands “*Lovable*” and “*Celebrity*”.
28. Investment agreement dated February 9, 2011, by and among our Company and Mr. L. Vinay Reddy, Ms. L. Shobha Reddy, Mr. L. Prashant Reddy, Ms. Veena Reddy, Ms. Taruna Reddy, Vinay Reddy HUF, Jaipal Reddy HUF and SCI Growth Investments II.
29. Copies of quotations obtained for the object of this Issue.
30. Auditor’s certificate dated February 16, 2011 regarding sources and deployment of funds as on February 15, 2011.
31. Memorandum of understanding dated February 10, 2011 between Mr. Amruth Raj and our Company

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Company, declare that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the regulations issued by Securities and Exchange Board of India, applicable, as the case may be, have been complied with and no statement made in the Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or regulations 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 the Red Herring Prospectus are true and correct.

Signed by all the Directors of Lovable Lingerie Limited

Mr. L. Vinay Reddy
Chairman and Managing Director

Mr. G. Ashok Reddy
Executive Director

Mr. L. Jaipal Reddy
Executive Director

Mr. Gopal G. Sehjpal
Independent Director

Mr. Dhanpat M. Kothari
Independent Director

Mr. Sivabalan P. Pandian
Independent Director

SIGNED BY THE CHAIRMAN AND MANAGING DIRECTOR

Mr. L. Vinay Reddy

SIGNED BY THE CHIEF FINANCIAL OFFICER AND COMPLIANCE OFFICER

Mr. Sunil Shukla

Date: February 23, 2011

Place: Mumbai