Prospectus

Please read Section 60B of the Companies Act, 1956

Dated December 30, 2005

100% Book Building Issue

GINNI FILAMENTS LIMITED

(Ginni Filaments Limited was incorporated on 28th July 1982 under the Companies Act, 1956 as a limited liability company in the State of West Bengal. Subsequently, registered office of the Company was shifted to State of Uttar Pradesh vide order dated 30th March, 1990 passed by the Company Law Board.)

REGISTERED OFFICE: 110 K.M. Stone, Delhi-Mathura Road, Chhata, District Mathura, Uttar Pradesh- 281 401, India.
Tel: +91 5662 242490, 242491; **Fax:** +91 5662 242223
CORPORATE OFFICE: 8th Floor, Padma Tower-II, 22, Rajendra Place, New Delhi - 110 008.
Tel: +91 11 25735852, 25735516; **Fax:** +91 11 25751076, 25826293; **Contact person**: Shri D. C. Gupta, Company Secretary
Website: www.ginnifilaments.com ; E-mail: secretarial@ginnifilaments.com

PUBLIC ISSUE OF 26262625 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AGGREGATING RS. 6000 LACS BY GINNI FILAMENTS LIMITED ("GFL" or "THE COMPANY" OR "THE ISSUER"). THE ISSUE COMPRISES OF PROMOTERS CONTRIBUTION OF 4444444 EQUITY SHARES FOR CASH AT A PRICE OF RS. 27/- PER EQUITY SHARE AGGREGATING RS. 1200 LACS ("PROMOTERS CONTRIBUTION") AND THE NET OFFER TO THE PUBLIC OF 21818181 EQUITY SHARES AT A PRICE OF RS. 22/- PER EQUITY SHARE AGGREGATING RS. 4800 LACS ("NET ISSUE"). THE ISSUE WILL CONSTITUTE 44.32% OF THE FULLY DILUTED CAPITAL OF THE COMPANY AFTER THE ISSUE.

THE ISSUE PRICE IS 2.2 TIMES THE FACE VALUE.

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 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein at least 35% and 15% of the Net Issue shall be allocated on a proportionate basis to Retail Individual Investors and Non-Institutional Investors respectively. 50% of the Net Issue shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis.

RISK IN RELATION TO THE ISSUE

The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares allotted pursuant to the Issue are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing of the Equity Shares allotted pursuant to the Issue.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the 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 this Prospectus. Specific attention of the investors is invited to section titled "Risk Factors" beginning on page ix of this Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on NSE where the existing Equity Shares of the Company are listed. We have received in-principle approval from NSE for the listing of the Equity Shares to be allotted pursuant to the Issue, vide letter dated October 31, 2005. NSE is the designated stock exchange.

BOOK RUNNING LEAD MANAGERS	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited **SBI CAPITAL MARKETS LIMITED** 202, Maker Tower "E", Cuffe Parade, Mumbai – 400005 Tel: 91 22 22189166, Fax: 91 22 22188332 E-mail: gfl.fpo@sbicaps.com Website: www.sbicaps.com	INTIME SPECTRUM REGISTRY LIMITED Crisp. Clear. Connected **INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (W) Mumbai – 400 078 Tel: 91 22 5555 5491, Fax: 91 22 5555 5499 E-mail: ginni@intimespectrum.com Website: www.intimespectrum.com

ISSUE PROGRAMME

BID/ISSUE OPENS ON : DECEMBER 19, 2005	**BID/ISSUE CLOSES ON : DECEMBER 23, 2005**

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I DEFINITIONS AND ABBREVIATIONS

Conventional / General Terms

Term	Description
"GFL" or "the Company" or " Company" or "Ginni Filaments Limited"	Ginni Filaments Limited, a public limited company incorporated under the our Companies Act, 1956.

Offering-Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Articles/Articles of Association	Articles of Association of our Company.
Auditors	M/s P. L. Gupta & Co., Chartered Accountants
Banker(s) to the Issue	ICICI Bank Limited, Hongkong and Shanghai Banking Corporation Limited and State Bank of India
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper and Hindi national newspaper, both with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an indication to make offer to subscribe to the Equity Shares and which will be considered as the application for issue and transfer of the Equity Shares pursuant to the terms of the Red Herring 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 can submit their Bids.
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and Hindi national newspaper, both with wide circulation.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which Issue is being made.
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited.

CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956 as amended from time to time.
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC.
Designated Stock Exchange	National Stock Exchange of India Limited.
Director(s)	Director(s) of Ginni Filaments Limited, unless otherwise specified.
Draft Red Herring Prospectus	Draft Red Herring Prospectus dated 24th September 2005 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 number of shares under the Issue. Upon filing with RoC at least three days before the Bid/Issue Opening Date it will become the Red Herring Prospectus. It will become a Prospectus upon filing with RoC after the determination of Issue Price.
Equity Shares	Equity shares of the Company of face value of Rs. 10 each.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar, the Escrow Collection Bank(s), and the BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened in this case being ICICI Bank Ltd and The Hong Kong and Shanghai Banking Corporation Ltd
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.

Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Public issue of 26262625 Equity Shares for cash aggregating upto Rs. 6000 Lacs by our Company.
Issue Price	The final price at which Equity Shares will be allotted in terms of this Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount.
Memorandum / Memorandum of Association	The memorandum of association of our Company.
NSE	National Stock Exchange of India Limited.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Issue being at least 3272727 Equity Shares available for allocation to Non-Institutional Bidders.
Non Resident	A person resident outside India, as defined under FEMA.
NRI/ Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	The price band with a minimum price (Floor Price) of Rs. 19/- and the maximum price (Cap Price) of Rs. 22/-, which was advertised at least one day prior to the Bid/ Issue Opening Date in Economic Times, an English language newspaper with wide circulation and in Jansatta, a Hindi language newspaper with wide circulation, and includes revisions thereof.

Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price.
Promoters	1. NATURAL PERSONS: Dr. Rajaram Jaipuria Mr. Shishir Jaipuria 2. THE COMPANIES WHICH ARE PROMOTERS Ganesh Synthetics Private Limited Abhinav Investments Private Limited Shishir Finstock Private Limited Ginni Power Limited Lahoti Merchandise Private Limited Apex Infocom Services Private Limited Sriram Holding Ltd.
Promoter Group	1. Promoters 2. Companies: Shree Bhawani Anand Private Limited Jaipuria Brothers Limited CP Properties Limited Katpadi Vincom Private Limited Ginni Non-woven Private Limited Kanpur Builders Private Limited Laxmi Texknit Private Limited Kanpur Constructions Private Limited 3. Relatives of Promoters who are Natural Persons: Mrs. Suniti Devi Jaipuria Mr. Sharad Jaipuria Mrs. Sunita Jaipuria Mr. Saket Jaipuria Master Yash Jaipuria 4. HUF: Dr. Rajaram Jaipuria (HUF) Mr. Shishir Jaipuria (HUF) Mr. Sharad Jaipuria (HUF)
Prospectus	This prospectus, dated 30th December, 2005, filed with the RoC after pricing containing, *inter alia,* the Issue Price and the number of shares that is determined at the end of the Book Building Process, the Issue and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 Crores and pension funds with minimum corpus of Rs. 25 Crores.
QIB Portion	The portion of the Issue being up to 10909090 Equity Shares available for allocation to QIBs.

Registered Office of the Company	110 K.M. Stone, Delhi-Mathura Road, Chhata, District Mathura, Uttar Pradesh- 281 401, India
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited.
Retail Individual Bidders	Bidders who apply or bid for Equity Shares of or for a value of not more than Rs. 100,000.
Retail Portion	The portion of the Issue being at least 7636364 Equity Shares available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus dated December 6, 2005 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 days before the Bid/ Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RoC	Registrar of Companies, Uttar Pradesh and Uttaranchal situated at West Cott Building, The Mall, Kanpur 208 001.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchange	NSE.
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLM.
Underwriting Agreement	The agreement among the BRLM, members of the Syndicate and the Company to be entered into on or after the Pricing Date.

Company/Industry Related Terms

Term	**Description**
CITI	Confederation of Indian Textile Industry
Count	Number of yarns in 840 yards in a pound of yarn.
CV	Count Variation
D. G. Set	Diesel Generator Set
EOU	Export Oriented Unit

ICMF	Indian Cotton Mills Federation
INDA	International Nonwovens & Disposables Association
KSA Technopak	Kurt Salmon Associates Technopak, the Indian subsidiary of Kurt Salmon Associates, US
LMW	Lakshmi Machine Works
Lycra	Invista's trademark for a synthetic fabric material with elastic properties
MFA	Multi Fibre Arrangement
Ne	English Count
Open End Yarn	Spun yarn manufactured for application mainly in denim and sheeting segment.
Process House	Combination of various machines used for colouring and finishing the unprocessed fabric which may either be knitted or woven.
Rieter	Rieter Machine Works Ltd., Switzerland.
T.P.A.	Tonnes Per Annum
Unit I	Spinning and Knitting Unit of GFL
Unit II	Knitting and Dyeing and Processing Unit of GFL

Abbreviations

Abbreviation	**Full Form**
ACIT	Assistant Commissioner of Income Tax
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BoB	Bank of Baroda
CAGR	Compounded Annual Growth Rate
CIF	Cost-Insurance-Freight
CIT	Commissioner of Income Tax
EGM	Extraordinary General Meeting
EPC	Engineering Construction and Procurement Contract
EPCG	Export Promotion of Capital Goods
EPS	Earnings per share
ETP	Effluent Treatment Plant
EXIM	Export Import
FAN	Financial Appraisal Note
FCNR Account	Foreign Currency Non-Resident Account
Financial year /fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.

FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GIDC	Gujarat Industrial Development Corporation
GoI	Government of India
GoUP	Government of Uttar Pradesh
GPCB	Gujarat Pollution Control Board
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
IDC	Interest During Construction
LC	Letters of credit
LIBOR	London Interbank Offer Rate
MOU	Memorandum of Understanding
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NOC	No Objection Certificate
NRE Account	Non-Resident External Account
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depository Limited
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PCFC	Packing Credit in Foreign Currency
PLR	Prime Lending Rate
RBI	Reserve Bank of India
RoNW	Return on Net Worth
SBBJ	State Bank of Bikaner and Jaipur
SBICAP	SBI Capital Markets Limited
TTM	Trailing Twelve Month
TUFS	Technology Upgradation Fund Scheme
UCP	Uniform Customs and Practice for Documentary Credits

II. RISK FACTORS

II.1 FORWARD-LOOKING STATEMENTS AND MARKET DATA

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

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 the Company has its 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 and our overseas markets 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 and foreign laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" on page ix of this 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. Neither our Company, nor our Directors and officers, any Underwriter nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares allotted/transferred pursuant to the Issue.

Market Data

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications and Study Report dated January 29, 2005 of KSA Technopak. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Prospectus is reliable, it has not been verified by any independent sources.

II.2 RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the Information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 70 and 168 of this Prospectus as well as the other financial and statistical information contained in the Prospectus. If the following risks actually occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline.

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

a) Some events may not be material individually but may be found material collectively.

b) Some events may have material impact qualitatively instead of quantitatively.

c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the risk if any. Wherever possible, the financial impact of the risk factors has been quantified.

Internal Risk Factors and Risks Relating to our Business

1. The Contingent Liabilities could adversely affect the financial condition. As of June 30, 2005, the contingent liabilities, not provided for, are enlisted in the following table. If these contingent liabilities materialise, fully or partly, GFL's financial condition could be adversely affected.

(Rs. in lakh)

	Particulars	Amount
1.	Bills discounted with banks	1711.15
2.	Disputed demands under excise, income tax, sales tax and electricity	34.17
3.	Claims against the Company not acknowledged as debt.	13.93
4.	Outstanding commitments for capital expenditure (Net of advance)	7763.52
	Total	**9522.77**

Management Perception: A major portion of the contingent liabilities are Bills discounted against Letters of Credit issued under UCP 500 by banks. These are a part of normal operations. The Company is taking appropriate legal proceedings against the other disputed claims against the Company. The quantum of the claims is not material to affect the operations of the Company. The outstanding capital commitments are for new projects to be implemented and the same shall be duly discharged as per envisaged delivery schedules of the respective contracts.

2. **GFL is an export oriented yarn manufacturer. Approximately 60% our revenue is in foreign currency. Any adverse movement in foreign exchange rates may adversely affect our financial performance.**

Management Perception: The Company has foreign currency denominated Term loans and PCFC (Packing Credit in Foreign Currency) and imports constituting raw materials and spares. Therefore, the Company has both receivables and payables in foreign currency, thus partly providing a natural hedge against exchange risk.

3. **The Company has been allotted land at GIDC, Panoli, Gujarat for the proposed plants, which is subject to fulfillment of certain conditions by the Company. Further, for the proposed garments factory to be set up at Faridabad, Haryana the Company has not yet acquired any land. Inability or delay in acquisition of land and the required approvals may adversely affect the project implementation. (The cost of land as a percentage of the total project cost for the two units is approx 2.28%). The status of other approvals for the projects are as tabulated below**

Approval/Consent	**Agency**	**Status of Approvals**	
		Nonwoven at Panoli	**Garments Project at Faridabad**
Registration with Excise Department	Excise Department	To be applied for	To be applied for
Registration with Sales Tax Department	Sales Tax Department	To be applied for	To be applied for
Registration under Factories Act	Directorate of Industries	To be applied for	To be applied for
Amendment in Export Import Code No	Jt. DGFT	To be applied for	To be applied for
EPCG License from Jt. DGFT	DGFT	To be applied for	To be applied for
Power	State Electricity Board	Not Required	To be applied for

Management Perception: The Company will comply with the requisite conditions stipulated by GIDC. The Company has identified three sites at Faridabad and shall finalise one of them in due course of time before commencement of construction. No permission for power would be required as the Company proposes to install its own captive power generating equipment in Gujarat. However, grid power would be required for the plant at Faridabad and would be applied for at an appropriate time. Similarly, the Company shall obtain approval for water connection in due course of time. As per the implementation schedule for the projects, we are in a comfortable position and delay on these counts is therefore, unlikely.

4. **The Company has placed orders only for plant and machinery aggregating Rs. 122.20 cr. out of Rs. 150.02 cr., the total appraised cost of plant and machinery.**

Management Perception: The Company has already opened L/C aggregating Rs. 106 cr. for import of key plant and machinery. We would order for the other plant and machinery as per the implementation schedule.

5. **There has been a delay of one month in the activities relating to site acquisition for the expansion of spinning project and the nonwoven project at Panoli, Gujarat. Also, a similar delay of two months is expected in the Garments project, Haryana.**

Management Perception: The Company has been taking steps to avoid any delays in project implementation, by entering into contracts for purchase of critical plant & machinery and has tied up the entire debt portion for the project. Also the Company is expediting the process of purchasing the required land at Faridabad, possession of land at GIDC, Panoli and seeking the necessary approvals for setting up the projects. A buffer has been built into the project implementation schedule, which is expected to make up for the current delays and the commercial production is expected to be as per schedule.

6. The Company has not yet entered into any tie-ups for working capital required for the proposed projects.

Management Perception: The present consortium of lenders has been apprised of the necessity of increased working capital requirement on account of the new projects. The appraised total project cost of Rs. 204.24 cr. includes the margin money of Rs. 13.50 cr. for the working capital. The Company proposes to approach its current lenders for working capital for its new projects at an advanced stage of implementation.

7. The profits (after tax, before exceptional items) of the Company declined from Rs. 542.35 Lacs in FY2004 to Rs. 157.46 Lacs in FY2005.

Management Perception: The profits declined due to a decrease in sales realisation, increase in power & fuel cost, freight & selling expenses and staff expenses. With the increase in cotton production in the country and decline in cotton prices, the Company's profitability has started improving as is evident from the profit (after tax, before exceptional items) for the quarter ended June 30, 2005, which is Rs. 274.07 Lacs.

8. The Company has not declared dividends in one out of the last three years. There can be no assurances that the Company will declare dividends regularly.

Management Perception: Dividend was not declared in the FY2003 in spite of reporting profits in order to conserve resources.

9. The Company has no previous experience in running and operating garments, nonwoven plants and business.

Management Perception: The Company has entered into a contract with the supplier of plant and machinery for the nonwoven plant i.e. Rieter for the necessary technical support during commissioning of the unit and training of GFL's manpower. The Company is confident of running the operations smoothly.

10. The Company has no distribution set up of its own and relies on agents and direct selling for its current products. The Company plans to sell the proposed new products i.e. garments & nonwoven on similar lines. The success of these businesses will be adversely affected if the Company is not able to market/sell the products successfully.

Management Perception: The Company has been selling its products to its customers both through agents and directly for the last fifteen years and has gained considerable expertise on selling and marketing of textile products. For sale of the garments, the Company is in talks with its current international buyers like Cotonella, Italy, who have expressed their interest in procuring the same from GFL. The Company has also approached major domestic nonwoven fabric consumers in the substrate industry. They have expressed their eagerness to switch to the proposed products of GFL available at cheaper rates as compared to the expensive imported products, though no formal tie-ups are in place.

11. Threat of cheap substitutes and imports for the products of the Company may affect the business.

Management Perception: The Company is protected by barriers like freight cost and duties against cheaper products of similar quality besides the benefits of easy availability of cheap raw materials in India. The Company is hopeful that, with the availability of nonwoven fabric domestically, customers will not prefer substitutes as the properties of nonwoven fabric produced by GFL using spunlace technology can hardly be matched by the cheaper substitutes. For a detailed comparison of nonwoven fabrics with woven and knit fabrics, refer to the section titled "Industry Overview" on Page 53.

12. **The quota regime for fabric exports under the Multi Fibre Agreement (MFA) has ended; hence GFL may face pricing pressure on its products. The end of Multi Fibre Agreement (MFA) quota restrictions on textile exports has resulted in price competition among suppliers from low cost economies and India. Thus, GFL may face further pricing pressure, as various suppliers who were hitherto restrained by quotas will start competing for the same orders in the international markets.**

    Management Perception: The Company believes that with the removal of quotas, the potential for exports by the Company will not be affected, as the developed countries will mainly look towards China & India to source textiles. The Company is constantly striving to reduce its cost of operations by installing state of the art machines, which require low maintenance, consume less power and reduce wastage of raw materials. Besides, the Company benefits from the low interest cost (Subsidy under TUFS) and lower Fuel oil cost (EOU status). The Company has forward integrated by setting up a Process house and proposes to setup a garments unit, thereby earning higher margins from the value added products. The strong customer relationships developed over the years further aid the Company in retaining its customers.

13. **Large vertically integrated players within India who have huge capacities across the value chain can offer a one-stop shop and may be preferred over GFL by international clients.**

    Management Perception: The Company has been forward integrating by setting up a Process house and proposes to setup a garments unit and nonwoven fabrics unit. This will enable the Company to further increase its product portfolio. Moreover there are no major players in the manufacture of nonwoven fabric in India.

14. **Our success depends upon our senior management and key personnel and our ability to attract and retain them. Our future performance will depend upon the continued services of these persons. We may not be able to retain our senior management personnel or attract and retain new senior management personnel in the future. The loss of any of these key personnel may adversely affect our business and results of operations.**

    Management Perception: The Company has been in the textile industry for fifteen years and the attrition rate of its senior management personnel has historically been low. The Company offers challenging roles, competitive salaries & perks and upgrades its human resources policies regularly.

15. **The name of one of the Directors of the Company, Shri Gian Prakash appears in the RBI Willful Defaulters list in respect of Parasrampuria Synthetics Ltd, Haryana Carewel Ltd and International Ceramics Ltd. The defaults took place during his tenure as a director of the said companies.**

16. **Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.**

    Management Perception: We take precautions to minimize the risk of any significant operational problems at our facilities like maintaining adequate inventory of spares, preventive maintenance of major equipments. Besides, we have installed fire hydrant systems and trained our manpower in basic fire fighting skills to arrest any fire hazards. All our key equipment manufacturers have their service centres in India.

17. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees.

Management Perception: Industrial relations in the Company have been cordial and the management shall continue to pursue pragmatic industrial relations policy. The management of the Company has also entered into an agreement with the Trade Union at the existing Units to prevent work stoppages due to strikes etc.

18. Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business.

Management Perception: We maintain insurance policies with leading Indian insurers. All our principal places of business, including our textile mills are covered by fire, group accident insurance, workmen compensation policy, cash in transit, stock insurance, transit insurance of sales & purchase and vehicle insurance policies. Our plant and machinery such as mills, boilers, DG sets, motors, tubewells, and effluent treatment plant and office equipments are covered by insurance against fire, flood & earthquake. We also maintain loss of profit insurance. Terrorism is specifically excluded from all our policies. The total coverage under all our policies maintained by the Company is sufficient to take care of its operations risk.

While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operations of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected.

19. Members of our Promoter group will continue to retain majority control in our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval. Upon completion of the Issue, members of our Promoter group will beneficially own approximately 47.09% of our post-Issue equity share capital. As a result, the Promoter group will have the ability to exercise significant influence over all matters requiring shareholders' approval, including the election of directors and approval of significant corporate transactions. The promoter group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where they are required by applicable laws to abstain from voting. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

Management Perception: The Independent Directors and the professionals who manage the Company would discourage any actions of the promoters that may affect the Company. Besides, the Company also follows the Corporate Governance practices as per clause 49 of the listing agreement with the stock exchange.

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

Management Perception: Most of our existing and proposed loans are floating and are benchmarked to either bank's PLR or LIBOR etc. and carry a pre-payment option too. In an adverse interest rate scenario, the Company may choose to prepay its high cost debt. Also the Company expects a stable interest rate regime, in view of the Government of India's economic policies.

21. **A total of 51 cases (including recent litigations) are outstanding relating to the Company, its promoters, directors and group companies as follows:**

    (a) **Relating to the Company: Total 41 cases involving an amount of Rs. 412.07 lacs**

    (b) **Relating to the Promoters: Total 10 cases involving an amount of Rs. 47.73 lacs plus interest**

    (c) **Relating to the Directors : nil**

    (d) **Relating to the Group companies: Total 3 cases involving immovable properties (these cases are a part of litigations relating to the Promoters).**

    For more details please refer to section VI.1 titled "OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENT". The outcome of the litigations, if determined against us, could adversely impact our business and financial condition.

    Recent litigations: Company has filed four new cases before the court in respect of dishonour of cheques issued in favour of the Company by other parties. Total amount involved is Rs. 14,03,911. The outcome of the litigations if determined against us, could adversely impact our financial condition.

22. **Out of total 23 cases there are 8 cases involving disputed/contested tax demands and other government sector claims. The total amount (including shown under contingent liabilities) involved is Rs. 102.90 lacs. For more details please refer to section VI.1.1 titled "Litigation against our Company". The outcome of the cases, if determined against us, could adversely impact our financial condition.**

23. **Some of the Promoter/Group Companies incurred losses during the last three financial years. The total losses incurred by these companies are Rs. 11.26 Lac, Rs. 14.28 Lac and Rs. 4.24 Lac during the FY 2003,2004 and 2005 respectively.**

    Management Perception: The primary activities carried out by the group companies are investment and finance and therefore their profitability is dependent on dividend and interest income. In view of the overall revival of the industry most of the Promoter/group companies have shown positive results in the last financial year 2004-05.

24. **Equity shares of our listed group companies are infrequently traded.**

    Management Perception: One of our group companies, Ginni Power Limited, is listed on Delhi stock exchange. During the last ten years, the equity shares of Ginni Power Limited have not been traded on the stock exchange. For more information on our group companies, see section titled "Our Promoters and Group Companies" beginning on Page 113 of this Prospectus.

25. **Restrictive Covenants: We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the banks for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger / amalgamation / restructuring, change in management etc. However, these restrictive covenants may affect some or all of the rights of our shareholders, including those mentioned on Page** 41 **of this Prospectus.**

    Management Perception: SBI, BOB, SBBJ and Exim Bank have sanctioned the term loan for the projects. The disbursement of the term loan is subject to the approval for public issue of equity shares. UCO Bank, IFCI, IDBI and Jammu & Kashmir Bank have conveyed their consents for public issue of equity shares. We have approached Federal Bank vide our letter dated August 30, 2005 to grant the NOC for capital expenditure on projects and issue of Share capital through public issue. The same is expected to be received in due course of time.

26. 56 % of the project cost is denominated in foreign currency on account of imported plant & machinery; any change in Foreign Exchange rates may affect the project cost.

Management Perception: The Company has made a provision for contingency in this regard in the project cost whereunder an amount of Rs. 847 Lacs has been earmarked for contingency including changes in foreign currency exchange rates.

27. The interest of the promoters in GFL apart from the normal remuneration or benefits or reimbursement of expenses incurred is in the form of Unsecured loans taken by GFL to the tune of Rs. 468 Lac as on June 30,2005, from Promoter Companies and group companies.

Management Perception: The intercorporate loans taken were at comparable market rates and hence the interest paid by GFL on these loans is not adverse to the Company's interest.

28. There was an overrun in the estimated project cost in the first public issue of the Company in 1990. The actual project cost was Rs. 2798 lacs as compared to the proposed cost of Rs. 2290 lacs.

29. The project has not been appraised by any bank/financial institution.

Management Perception: Financial appraisal has been done by SBI Capital Markets Ltd. For details refer to section III.4 under the heading "Appraisal Details"**.**

30. Weakness & Threats from financial appraisal note:

a. The price of Cotton, a key raw material for the Company is susceptible to volatility and forms around 60% of the total cost. The Company has not entered into any firm arrangements with any party for supply of key raw materials like cotton, polyester and viscose. Any upward fluctuation in their prices or unavailability may affect GFL's operations.

Management Perception: The Company procures cotton from various cotton mandis through out Indian States namely Punjab, Haryana, Madhya Pradesh, Gujarat and Maharashtra. The Company uses the services of agents and cotton selectors. They visit the mandi to check the quality of cotton, negotiate the prices and purchase the cotton on behalf of the Company. Likewise, GFL will tie up the supplies for the year during the cotton season beginning mid-October. In addition, being a 100% EOU, the Company also exploits the benefit of importing cotton at low price without having to pay duty. In case of non-availability of cotton in India this option can also be utilised.

The availability of raw materials like polyester & viscose for the nonwoven plant is easily sourceable from companies like Reliance Industries Ltd. and Grasim Ltd. that are located in proximity to the proposed location of the nonwoven unit at Gujarat. The Company has been in the industry for fifteen years and has the ability to anticipate the price movements and hedge itself against any adverse price trends.

b. With the liberalisation of the economy in India, foreign multinationals are expected to set up large infrastructure in the country threatening the existence of local manufacturers with old technology.

Management Perception: The Company with its state of art plant and machinery will be well positioned under such a scenario. Moreover it will enjoy the first mover's advantage in case of nonwovens.

c. All Indian textile exports face threat of competition from China where producers enjoy similar benefits as India in terms of low cost of labour, raw material etc.

External Risk Factors

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

   The Indian economy has shown sustained growth over the last few years with GDP growing at 6.9% in fiscal 2005, 8.5% in fiscal 2004 and 4.0% in fiscal 2003. Industrial growth was 8.0% in fiscal 2005, 6.6% in fiscal 2004 and 6.6% in fiscal 2003. In its monetary policy statement announced on April 28, 2005, the RBI forecast GDP growth for fiscal 2006 to around 7.0% and year-end inflation rate from 5.0% to 5.5% subject to the impact of growing uncertainty on account of oil price. Any slowdown in the Indian economy could adversely affect our financial performance.

2. Probable opposition to sourcing textiles & apparel from India.

3. Any change in the policies by the countries in terms of tariff and non-tariff barriers from which the Company imports its raw materials and/or exports its products to, will have an impact on the Company.

4. A significant change in the regulatory environment could disrupt our business and cause the price of our Equity Shares to decline.

5. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

6. Taxes and other levies imposed by the Government of India or other state governments, as well as other financial policies and regulations, may have a material adverse effect on our business, financial condition and results of operations.

   Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, sales tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time. Currently we benefit from certain tax benefits that results in a decrease in the effective tax rate compared to the tax rates that we estimate would have applied if these incentives had not been available. There can be no assurance that these tax incentives will continue in the future. The non-availability of these tax incentives could adversely affect our financial condition and results of operations.

   Several state governments in India have recently introduced a value added tax regime. The same is yet to be introduced in the state of Uttar Pradesh. The impact of the introduction of the value added tax regime on our business and operations would depend on a range of factors including the rates applicable and the exemptions available to our facilities. Currently, we are unable to ascertain the impact of the value added tax regime on our business and operations.

7. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer. India has experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

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

9. After this Issue, the prices of GFL's equity shares may be volatile, or an active trading market for GFL's equity shares may not develop. The price of GFL's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

   i. Volatility in the Indian and Global securities market;

   ii. The results of its operations and performance and Perceptions about its future performance;

   iii. Performance of competitors and market perception of investments in the industry;

   iv. Adverse media reports on GFL or on the Indian Textile industry;

   v. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which GFL's equity shares are initially offered will correspond to the prices at which GFL's equity shares will trade in the market subsequent to this Issue. GFL's share price could be volatile and may also decline.

10. Notes:

   i. The net worth of our Company as of June 30, 2005 is Rs. 7086.97 Lacs based on restated unconsolidated financial statements of our Company.

   ii. The average cost of acquisition of Equity Shares by our Promoters is Rs. 13.73 per Equity Share and the book value per Equity Share as of June 30, 2005 was Rs. 21.48 per Equity Share.

   iii. Except as disclosed in the Red Herring Prospectus, none of our Directors have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.

   iv. For details on interest of the Promoters and key managerial personnel, please refer to the section IV.5 titled "Our Promoters And Group Companies" and section IV.4 titled "Management".

   v. Investors may contact the BRLM for any complaints, information or clarifications pertaining to the Issue.

   vi. Investors are advised to refer to the section titled "Basis for Issue Price" on page 43 of this Prospectus.

   vii. Refer to the notes to our financial statements relating to related party transactions in the section titled "Consolidated Financial Statements - Related Party Transactions" on page 156 of this Prospectus for related party transactions.

viii. Refer to data regarding the total volume of Equity Shares traded and the volume of business transacted during the six months preceding the date of filing of this Prospectus with SEBI in section VII titled "Other Regulatory And Statutory Disclosures".

ix. Please refer to section titled "Financial Information Of The Company" for details on notes to the accounts, significant accounting policies and Auditors' qualifications.

III. INTRODUCTION

III.1 SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and our financial statements and related notes beginning on page ix *of this Prospectus, before deciding to invest in our Equity Shares.*

INDIAN TEXTILE INDUSTRY

The textile industry is the second largest industry in India contributing about 20% of the total industrial output and 4% of GDP. About 31.07% of the country's export earning is contributed by textiles and clothing industry. With barely 2-3% import intensity, it is also the highest net foreign exchange earner. It also contributes significantly to the exchequer, about Rs. 6000 Crores annually. The industry provides employment to about 38 million persons. In addition, job opportunities are indirectly provided to millions in the cotton farming and processing, stores & accessories and a wide network of marketing of textile and allied products.

OUR BUSINESS

GFL is an established name in cotton yarns and knitted fabrics, having a composite unit for Spinning and Knitting. It exports high quality yarn to Europe, Middle East, Korea, Bangladesh, Hong Kong and Morocco in the world market. As a part of its expansion strategy GFL plans to set up projects for the manufacture of Nonwoven fabrics and garments.

GFL was incorporated on 28th July 1982 as a limited company. It established a 100% Export Oriented Unit (EOU) to manufacture Cotton Yarn with 26208 spindles in 1990. The Unit has been expanding and diversifying since then and presently the Unit has 54432 spindles for manufacture of spinning yarn, 960 rotors for manufacture of Open End yarn and 27 Knitting Machines to produce single Jersey, Inter Lock, Rib Terry and Lycra Fabrics. A forward integration project for Dyeing & Bleaching of knit Fabric was implemented and commenced production in May 2005.

GFL entered the capital market with its maiden public issue in 1990. Its present promoters are Dr. Rajaram Jaipuria and his son Mr. Shishir Jaipuria. The Company is in the business of manufacturing and export of textiles since 1990. Its present activities can broadly be classified as:

1. Manufacture of Cotton Yarn
2. Manufacture of Knitted Fabrics
3. Dyeing and processing of Knitted Fabrics

The above activities are carried out in two manufacturing units. Both manufacturing units are located at Chhata, District Mathura in the state of Uttar Pradesh.

GFL proposes to expand its operations by undertaking the following projects:

1. De-bottlenecking of Existing Open-End Spinning Capacity at the present location at Chhata, Uttar Pradesh from 960 Rotors to 1680 Rotors.
2. Expansion of Ring Spinning capacity at GIDC, Panoli, District Bharuch, Gujarat. The Company proposes to install 16800 Spindles for Ring Spinning.
3. Establishing a Nonwoven Fabric manufacturing Unit at Panoli, Gujarat. The Company proposes to establish a Greenfield project for manufacturing of Nonwoven Fabric. The capacity of the Project would be 12000 MTs nonwoven fabric per annum. The Company proposes to use the Hydroentanglement Technology to produce spunlace Nonwoven Fabric.
4. Establishing a Garment manufacturing Unit at Faridabad, Haryana. The Project would be established with a capacity to manufacture 52,50,000 garments per annum.

THE ISSUE

The following information, unless stated otherwise, is based on our capital structure as of the date of this Prospectus.

Public Issue of Equity Shares by the Company:

Issue:	2,62,62,625 Equity Shares of Rs. 10/- each.
Promoters' contribution	44,44,444 Equity Shares of Rs. 10/- each.
Net offer to the public	2,18,18,181 Equity Shares of Rs. 10/- each.
Of which:	
Qualified Institutional Buyers Portion: of which reserved for	Up to 10909090 Equity Shares (allocation on proportionate basis).
Mutual Funds	Up to 545454 Equity Shares (allocation on proportionate basis).
Non-Institutional Portion:	At least 3272727 Equity Shares (allocation on proportionate basis).
Retail Portion:	At least 7636364 Equity Shares (allocation on proportionate basis).
Objects of the Issue:	See the section titled "Objects of the Issue" on page 33 of this Prospectus.
Note: Under-subscription, if any, in any of the categories would be allowed to be met with spillover from the other categories, at the sole discretion of the Company and BRLM.	
Equity Shares outstanding prior to the Issue	3,30,00,000 Equity Shares of Rs. 10/- each.
Equity Shares outstanding after the Issue	59262625 Equity Shares of Rs. 10/- each.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables set forth certain summary financial data derived from our restated financial statements as of and for fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and quarter ended June 30, 2005. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. The restated financial statements have been restated as described in the auditors' report included therewith, in the section titled "Financial Statements" beginning on page 131 of this Prospectus. The following tables also set forth certain operating data for the fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and quarter ended June 30, 2005.

The summary financial and operating data presented below should be read in conjunction with our financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 168 of this Prospectus. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP" on page 163 of this Prospectus.

Statement of Profits and Losses for the last five years, as restated

(Rupees in Lacs)

Particulars	**Quarter ended 30/06/2005**	**Year ended 31/03/2005**	**Year ended 31/03/2004**	**Year ended 31/03/2003**	**Year ended 31/03/2002**	**Year ended 31/03/2001**
INCOME						
Sales:						
Of Products Manufactured by the Company	3845.69	18258.38	19816.40	17400.59	16660.78	17191.72
Of Products Traded by the Company	7.84	203.89	4.91	32.44	-	-
Other Income	14.10	137.62	83.63	95.90	56.02	134.42
Accretion(Decretion) in Stocks	238.20	(93.30)	258.01	(107.67)	(811.42)	773.36
Total	**4105.83**	**18506.59**	**20162.95**	**17421.26**	**15905.38**	**18099.50**
EXPENDITURE	-					
Raw Material Consumed/Cost of Trading Goods	2295.16	11699.45	12928.50	10566.47	9893.32	10981.98
Staff Costs	228.54	951.29	822.22	781.76	728.91	700.54
Other Manufacturing Expenses	541.20	2130.89	2241.09	2162.95	1845.36	2161.20
Administration Expenses	136.49	546.77	575.05	501.55	509.79	582.57
Selling and Distribution Expenses	196.83	828.85	745.11	807.00	774.58	796.99
Interest	213.52	851.47	882.45	973.11	1285.98	1654.92
Depreciation	269.74	1085.18	1065.44	1086.91	1090.67	1052.00
Miscellaneous Expenditure Written off	5.08	21.13	21.13	22.46	25.56	9.98
Total	**3,886.56**	**18,115.03**	**19,280.99**	**16,902.21**	**16,154.17**	**17,940.18**
Net Profit/(Loss) before Tax and Exceptional Items	**219.27**	**391.56**	**881.96**	**519.05**	**(248.79)**	**159.32**

(Rupees in Lacs)

Particulars	**Quarter ended 30/06/2005**	**Year ended 31/03/2005**	**Year ended 31/03/2004**	**Year ended 31/03/2003**	**Year ended 31/03/2002**	**Year ended 31/03/2001**
Provision for Taxation						
-Current Tax	19.95	33.63	72.46	38.30	0.00	14.24
-Fringe Benefit Tax	3.36	0.00	0.00	0.00	0.00	0.00
-Deferred Tax	(78.11)	200.47	267.15	57.80	0.00	0.00
Net Profit/(Loss) after tax before Exceptional Items	**274.07**	**157.46**	**542.35**	**422.95**	**(248.79)**	**145.08**
Exceptional Items	17.75	45.38	24.69	(63.55)	(2.92)	87.33
Net Profit/(Loss) After Exceptional Items	**291.82**	**202.84**	**567.04**	**359.40**	**(251.71)**	**232.41**
Balance brought forward from previous year	643.46	722.83	435.00	275.60	527.31	594.90
Total	**935.28**	**925.67**	**1002.04**	**635.00**	**275.60**	**827.31**
Appropriations:						
Transfer to General Reserve	-	-	-	200.00	-	-
Debenture Redemption Reserve	-	-	-	-	-	300.00
Proposed Dividend	-	247.50	247.50	-	-	-
Tax on Proposed Dividend	-	34.71	31.71	-	-	-
Balance carried to Balance Sheet as restated	935.28	643.46	722.83	435.00	275.60	527.31
Total	**935.28**	**925.67**	**1002.04**	**635.00**	**275.60**	**827.31**

Statement of Assets and Liabilities, as restated

(Rupees in Lacs)

	Particulars	As AT					
		30/06/2005	**31/03/2005**	**31/03/2004**	**31/03/2003**	**31/03/2002**	**31/03/2001**
A.	**Fixed assets:**						
	Gross block	21413.99	21437.03	21030.02	21175.23	21230.17	20675.30
	Less :Accumulated Depreciation	9762.75	9536.66	8528.50	7476.41	6402.99	5383.45
	Net block	11651.24	11900.37	12501.52	13698.82	14827.18	15291.85
	Capital work in progress	3318.95	3013.54	3.54	6.38	0.00	8.68
		14970.19	**14913.91**	**12505.06**	**13705.20**	**14827.18**	**15300.53**
B.	**Investments**	**1027.56**	**1027.56**	**1027.56**	**1030.08**	**1030.08**	**1030.08**
C.	**Current assets, loans and advances**						
	Inventories	4763.60	4574.28	7855.01	4839.79	4428.34	4532.81
	Sundry debtors	1272.86	1350.50	1611.10	1146.16	1053.31	1143.95
	Cash and bank balances	404.87	471.02	223.52	89.00	112.66	278.28
	Loans and advances	1254.83	1135.67	991.03	809.58	720.59	742.53
		7696.16	**7531.47**	**10680.66**	**6884.53**	**6314.90**	**6697.57**
D.	**Liabilities and Provisions**						
	Secured loans	12136.10	12559.06	12806.15	12193.38	12405.32	13094.19
	Unsecured loans	715.15	695.39	392.28	244.49	180.06	178.14
	Current liabilities and Provisions						
	-Sundry liabilities	1144.16	780.12	1835.82	1069.03	1893.54	1721.16
	-Provisions	685.20	651.88	538.65	51.64	16.02	15.11
		14680.61	**14686.45**	**15572.90**	**13558.54**	**14494.94**	**15008.60**
E.	**Net Worth before Deferred Tax Liability (A+B+C-D)**	**9013.30**	**8786.49**	**8640.38**	**8061.27**	**7677.22**	**8019.58**
F.	**Deferred Tax Liability**	**1926.33**	**2004.44**	**1803.97**	**1536.82**	**287.66**	**0.00**
G.	**Adjusted Net Worth(E-F)**	**7086.97**	**6782.05**	**6836.41**	**6524.45**	**7389.56**	**8019.58**
H.	**Net Worth Represented by:**						
	1.Share capital	3300.00	3300.00	3300.00	3300.00	3300.00	3300.00
	2. Reserves	3877.42	3577.57	3653.06	3362.23	4205.54	4733.23
	3. Less :Miscellaneous expenditure not written off	90.45	95.52	116.65	137.78	115.98	13.65
	Adjusted Net Worth (1+2-3)	**7086.97**	**6782.05**	**6836.41**	**6524.45**	**7389.56**	**8019.58**

Note: The Company has not revalued its fixed assets as such no revaluation reserve was created.

GINNI FILAMENTS LIMITED

OPERATING DATA

Details Of Sales (Net Of Excise) **Rs. in Lacs**

	2002-2003	2003-2004	2004-2005	Quarter ended June 30, 2005
April to June	4342.09	4061.40	5011.26	3853.53
July to September	4157.98	4833.30	4418.07	-
October to December	4342.40	5181.57	4393.26	-
January to March	4590.62	5745.04	4640.04	-
Total	**17433.09**	**19821.31**	**18462.63**	**3853.53**
2002-2003				
	Yarn	**Knitted Fabrics**	**Others**	**Total**
Quantity (kg.Lacs)	144.95	23.19	0	168.14
Amount (Rs.Lacs)	13879.58	2859.19	694.32	**17433.09**
Average Price(Rs./Kg)	95.75	123.29	0	
%of sales	79.62	16.40	3.98	100.00
2003-2004				
	Yarn	**Knitted Fabrics**	**Others**	**Total**
Quantity (kg.Lacs)	139.05	25.23	0	164.28
Amount (Rs.Lacs)	15390.04	3430.73	1000.54	**19821.31**
Average Price(Rs./Kg)	110.68	135.98	0	
%of sales	77.64	17.31	5.05	100.00
2004-2005				
	Yarn	**Knitted Fabrics**	**Others**	**Total**
Quantity (kg.Lacs)	143.59	17.67	0	161.26
Amount (Rs.Lacs)	15017.84	2561.98	882.81	**18462.63**
Average Price(Rs./Kg)	104.59	144.99	0	
%of sales	81.34	13.88	4.78	100.00
1st Qtr 2005-2006				
	Yarn	**Knitted Fabrics**	**Others**	**Total**
Quantity (kg.Lacs)	35.47	2.44	0	37.91
Amount (Rs.Lacs)	3361.11	343.82	148.6	**3853.53**
Average Price(Rs./Kg)	94.76	140.91	0	
%of sales	87.22	8.92	3.86	100.00
UITILISATION %	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**
RING SPINNING	98.71	98.48	98.68	98.52
OPEN END SPINNING	98.03	97.22	96.67	97.21
KNITTING	29.66*	54.35*	85.94	85.70

* In view of slowdown in sale of the base fabric, the Company has installed a Process House, which has begun commercial production from 1st July 2005. This forward integration is expected to increase the capacity utilisation of Knitting.

III.2 GENERAL INFORMATION

REGISTERED OFFICE OF OUR COMPANY

Ginni Filaments Limited
110 K.M. Stone
Delhi-Mathura Road
Chhata, District Mathura
Uttar Pradesh- 281 401
India.
Tel: +91 5662 242490, 242491
Fax: +91 5662 242223
E-mail: gflkosi@datainfosys.net
Registration number: 20 - 12550

Our Company is registered at the Registrar of Companies, Uttar Pradesh & Uttaranchal, West Cott Building, The Mall, Kanpur 208 001, Uttar Pradesh.

BOARD OF DIRECTORS

The following persons constitute our Board of Directors:

1. Dr. Rajaram Jaipuria
2. Shri. Shishir Jaipuria
3. Shri Jugal Kishore Bhagat
4. Shri. Mahendra Pal Wadhawan
5. Shri Joginder Pal Kundra
6. Shri Harprasad Bhattacharya
7. Shri. Gian Prakash
8. Shri Ashok Chopra
9. Shri Rattan Bansal

For further details of our Chairman, Managing Director and whole-time directors, see section titled "Our Management" on page 104 of this Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Shri D. C. Gupta
8th Floor, Padma Tower-II,
22, Rajendra Place,
New Delhi - 110 008.
Tel: +91 11 25735852, 25735516;
Fax: +91 11 25751076, 25826293
E-mail: secretarial@ginnifilaments.com

Investors can contact the Compliance Officer 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 or refund orders, etc.

LEGAL ADVISORS TO THE ISSUE

Khaitan & Co.
1105-06, Ashoka Estate
24, Barakhamba Road
New Delhi- 110 001
Tel: +91 11 51515454
Fax: + 91 11 5151 5318
E-mail: naveengoel@khaitanco.com

BANKERS TO THE COMPANY

The Federal Bank Limited
Overseas Branch
E-13 29, Harsha Bhawan
Connaught Place
New Delhi- 110 001
Tel: +91 11 23416469
Fax: +91 11 23413468
E-mail: None
Website: www.federalbank.co.in
Contact Person: Mr. P. T. Devasey

State Bank of India
Industrial Finance Branch
15-Floor, Jawahar Vyapar Bhawan
1, Tolstoy Marg
New Delhi- 110 001
Tel: +91 11 23374622
Fax: +91 11 23353135
E-mail: sknagpal20@hotmail.com
Website: www.statebankofindia.com
Contact Person: Mr. S. K. Nagpal

Bank of Baroda
International Business Branch
1st Floor, 16, Sansad Marg
New Delhi- 110 001
Tel: +91 11 23328847
Fax: +91 11 23321746
E-mail: bobibbnd@del3.vsnl.net.in
Website: www.bankofbaroda.com
Contact Person: Mr. Mohan Ram

State Bank of Bikaner & Jaipur
71-72 Laxmi Bhawan
Nehru Place
New Delhi- 110 018
Tel: +91 11 26470787
Fax: +91 11 26464971
E-mail: None
Website: www.sbbjbank.com
Contact Person: Mr. Rajeev Mathur

UCO Bank
5, Sansad Marg
New Delhi- 110 001
Tel: +91 11 23327506
Fax: +91 11 23717022
E-mail: bo.parist@ucobank.co.in
Website: www.ucobank.co.in
Contact Person: Mr. Anil Singh

BOOK RUNNING LEAD MANAGER

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade
Mumbai- 400 005
Tel: +91 22 2218 9166-69
Fax: +91 22 2218 6367 / 2218 8332
E-mail: gfl.fpo@sbicaps.com
Contact Person: Mr. Abhishek Mehrotra

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai – 400 078
Tel.: 91 22 5555 5491
Fax: 91 22 5555 5499
e-mail: ginni@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Vishwas Attavar

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai – 400 001.
Tel.: 91 22 2265 5285
Fax: 91 22 2261 1138
e-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road,
Mumbai – 400 001
Tel.: 91 22 2268 1673 / 2268 1290
Fax: 91 22 2273 4388
e-mail: dhirajbajaj@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj

State Bank of India
New Issue & Securities Services Division,
Mumbai Main Branch,
Mumbai samachar marg, P B No. 13,
Fort, Mumbai – 400 023.
Tel: 91 22 22651579 / 22662133
Fax: 91 22 22670745
Email: agmnissd@vsnl.net
Website: www.statebankofindia.com
Contact Person: Smt. Anuradha Kurma

AUDITORS

M/s P. L. Gupta & Co.,
Chartered Accountants
26/52, Birhana Road,
Kanpur 208001
Uttar Pradesh.
Tel: +91 512 2365756
Fax: +91 512 2365756
E-mail: plguptaknp@yahoo.co.in
Contact Person: Mr. P. L. Gupta

CREDIT RATING

As the Issue is of equity shares, credit rating is not required.

TRUSTEES

As the Issue is of equity shares, the appointment of trustees is not required.

FINANCIAL APPRAISER OF THE PROPOSED PROJECTS

SBI CAPITAL MARKETS LIMITED
202, Maker Tower 'E'
Cuffe Parade
Mumbai- 400 005
Tel: +91 22 2218 9166-69
Fax: +91 22 2218 6367 / 2218 8332
E-mail: www.sbicaps.com

Book Building Process

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/ Issue Closing Date.

The principal parties involved in the Book Building Process are:

1. The Company;
2. Book Running Lead Manager;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLM; and
4. Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with

SEBI on a proportionate basis (ii) at least 15% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details please refer to the section titled "Terms of the Issue" on page 195 of this Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBI Capital Markets Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine 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 website of the NSE (www.nseindia.com). The illustrative book below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLM will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 198 of this Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN to the Bid cum Application Form (see section titled "Issue Procedure —'PAN' or 'GIR' Number" on page 210 of this Prospectus).
4. If you are a body corporate making a Bid, please ensure that you provide your UIN in the Bid cum Application Form. (refer section titled "Issue Procedure — Unique Identification Number" on page 210 of this Prospectus).
5. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lacs)
SBI Capital Markets Ltd.	21818181	4800

The above-mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated 30th December, 2005.

In the opinion of the Board of Directors, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The Board of Directors has accepted the above Underwriting Agreement and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter, in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount. Allocation to QIBs shall be on proportionate basis as per the terms of this Prospectus.

III.3 CAPITAL STRUCTURE

The following information, unless stated otherwise, is based on our capital structure as of the date of this Prospectus.

Our share capital as at the date of this Prospectus is set forth below:

(Rs. in Lacs)

	PARTICULARS	Aggregate nominal value	Aggregate Value including Premium
A.	**Authorised Capital**		
	7,50,00,000 Equity Shares of Rs. 10 each	7500.00	-
B.	**Issued, Subscribed and Paid-Up Capital prior to the Issue:**		
	3,30,00,000 Equity Shares of Rs.10 each	3300.00	-
C.	**Present Issue to the public in terms of the Prospectus**		
	Promoters' contribution 44,44,444 Equity Shares of Rs.10 each at a price of Rs. 27/- per share	444.44	1199.99
	Net offer to the Public 2,18,18,181 Equity Shares of Rs.10 each at a price of Rs. 27/- per share	2181.82	4799.99
D.	**Issued, Subscribed and Paid-Up Capital post the Issue:**		
	5,92,62,625 Equity Shares of Rs. 10 each	5926.26	-
E.	**Share Premium Account**		
	Prior to the Issue	-	2276.00
	Post the Issue	-	5649.74

NOTES TO THE CAPITAL STRUCTURE

1. Share Capital History of our Company:

The following is the history of the equity share capital of our Company:

Date of Allotment & Date on which fully paid-up	Number of Equity Shares (of face value of Rs. 10)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment (including persons to whom allotment was made)	Cumulative Share Capital (Rs. in Million)
October 12, 1982	700	10.00	Cash	Subscribers to Memorandum/ Promoters.	0.007
January 27, 1983	500	10.00	Cash	Sri S. D. Mukhopadhyay on private placement basis.	0.012
July 9, 1984	98,800	10.00	Cash	Private placement to then group companies and individuals.	1.00
July 14, 1990	57,50,000	10.00	Cash	Promoter group under Public issue.	58.50
July 14, 1990	16,800	10.00	Cash	Employees of the Company under reserved quota.	58.668
July 14, 1990	38,93,200	10.00	Cash	Public Issue.	97.60
March 12, 1993	39,04,600	35.00	Cash	Rights Issue	136.646

November 2, 1994	6,00,000	50.00	Cash	FIIs on private placement basis.	142.646
November 2, 1994	9,60,000	68.00	Cash	-do-	152.246
November 2, 1994	5,00,000	63.00	Cash	-do-	157.246
April 1, 1997	1,41,02,400	11.70	Cash	Promoter group on private placement basis.	298.27
September 241997	31,73,000	10.00	Cash	Promoter group, including their relations on private placement basis.	330.00
Total	**3,30,00,000**				**330.00**

2. Promoters Contribution & Lock-in period

The Promoters propose to contribute to the extent of 20% of the Issue i.e. Rs. 12 crore. There will be no change in control pursuant to the acquisition of these shares. The Promoters shall bring in the full amount of the promoters' contribution including premium at least one day prior to the issue opening date, which shall be kept in an escrow account with a Scheduled Commercial Bank and the said contribution/amount shall be released to the Company along with the public issue proceeds.

The promoters of the Company have undertaken that they will lock-in the minimum number of shares as promoter's contribution, required to be locked in as per the SEBI Guidelines on finalisation of the number of shares in the Issue and the post Issue capital. They have also undertaken that they will issue necessary instructions to the Depositories for lock-in of these shares for three/one year as per the requirement and provide the information to the BRLM for disclosure in the Prospectus to be filed with ROC.

The contribution of the promoters of the Company has been brought to the extent of not less than the specified minimum lot and from persons as defined as promoters under the SEBI Guidelines.

The Promoters and Directors of the Company and the BRLM of the Issue have not entered into any buy-back or "similar" arrangement for the Equity Shares being issued through the Red Herring Prospectus

Shareholding of the Promoters, Promoter Group and the directors of our Promoter Companies in our Company is as under:

Sr. No.	Name of Promoter/ Promoter Group/ Director of Promoter Company	Pre Issue		Post Issue	
		Number of Equity Shares of Rs.10 each	% of fully paid-up share capital	Number of Equity Shares of Rs.10 each	% of fully paid-up share capital
A.	**Promoters**				
	Dr. Rajaram Jaipuria	1,000	0.003	1000	Negligible
	Mr. Shishir Jaipuria	1,700	0.005	1700	Negligible
	Ganesh Synthetics Private Limited	1,386,200	4.200	1932496	3.26
	Abhinav Investments Private Limited	4,931,190	14.943	4931190	8.32
	Shishir Finstock Private Limited	54,000	0.164	54000	0.09
	Ginni Power Limited	27,100	0.082	27100	0.05
	Lahoti Merchandise Private Limited	63,700	0.193	63700	0.12
	Apex Infocom Services Private Limited	90,000	0.273	90000	0.15
	Sriram Holding Ltd.	16,486,099	49.958	20384247	34.40

B.	**Relatives of Promoters**				
	Mrs. Suniti Devi Jaipuria	144,000	0.436	144000	0.24
	Mrs. Sunita Jaipuria	1,500	0.005	1500	Negligible
	Mr. Saket Jaipuria	114,900	0.348	114900	0.19
	Master Yash Jaipuria	12,000	0.036	12000	0.03
	Mr. Sharad Jaipuria	1,700	0.005	1700	Negligible
C.	**HUF**				
	Mr. Shishir Jaipuria (HUF)	143,500	0.435	143500	0.24
	Mr. Sharad Jaipuria (HUF)	1,500	0.005	1500	Negligible
	Total (A+B+C)	**23,460,089**	**71.091**	**27904533**	**47.09**
D.	**Directors of Promoter Companies**				
	1. Bharat K. Khaitan	1,710	0.005	1710	Negligible
	2. D. C. Gupta	100	0.000	100	Negligible
	3. Abhai Kumar Jain	300	0.001	300	Negligible
	Total (D)	**2,110**	**0.006**	**21100**	Negligible
	Grand Total (A+B+C+D)	**23,462,199**	**71.097**	**27906643**	**47.09**

The contribution in the proposed issue to the extent of Rs. 12 crore (ie 20% of the proposed issue) would be brought in by Sriram Holding Ltd. and Ganesh Synthetics Pvt Ltd and would be locked in for one year.

The lock in period shall commence from the date of allotment of Equity Shares in the proposed public issue or commencement of commercial production whichever is later, as per the applicable SEBI guidelines.

Name of the Promoter	Date of Allotment/ acquisition	Consideration (per Share)	No. of Shares	Face Value	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
Sriram Holding Ltd.	02.07.1994 01.04.1997	Cash Cash	24,41,799 94,10,726	Rs.10/- Rs. 10/-	Rs. 25.00 Rs.11.70	20%	3 years from the date of allotment in the Public Issue.
Sriram Holding Ltd.	To be allotted in the Issue	Cash	3898148	Rs.10/-	27.00	20% of the proposed Public Issue i.e. Rs.1200 lacs would be brought in by the said Promoters.	1 year from the date of allotment in the Public Issue or the date of commercial production which ever is later.
Ganesh Synthetics Pvt. Ltd.	To be allotted in the Issue	Cash	546296	Rs. 10/-	27.00		

Out of the total promoters' holding, 20% of the Post- Issue Equity Share Capital i.e. 11852525 Equity Shares will be locked in for three years which would be contributed by Sriram Holding Ltd.

Capital Build-up of Promoters and Promoters' Group:

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
1.	**Dr. Rajaram Jaipuria**	May 31, 1989	May 31, 1989	Cash	100	10.00		
		Jul. 14, 1990	Jul. 14, 1990	Cash	400	10.00		
		Mar. 12 1993	Apl. 30, 1993	Cash	450	35.00		
		Jul. 20, 1998	Jul. 20, 1998	Cash	50	8.00		
	Total			Equity Shares of Rs.10 each	**1,000**		**0.003**	Negligible
2.	**Mrs. Suniti Devi Jaipuria**	Jul. 14, 1990	Jul. 14, 1990	Cash	500	10.00		
		Mar. 12 1993	Apl. 30, 1993	Cash	250	35.00		
		July 20, 1998	July 20, 1998	Cash	50	8.00		
		Jan. 05, 2000	Jan. 05, 2000	Cash	500	9.00		
		Jan. 06, 2000	Jan. 06, 2000	Cash	100	8.75		
		Jan. 10, 2000	Jan. 10, 2000	Cash	2400	9.00		
		Jan. 11, 2000	Jan. 11, 2000	Cash	300	9.00		
		Jan. 19, 2000	Jan. 19, 2000	Cash	500	9.50		
		Jan. 31, 2000	Jan. 31, 2000	Cash	400	9.10		
		Feb. 07, 2000	Feb. 07, 2000	Cash	41100	8.00		
		Feb. 08, 2000	Feb. 08, 2000	Cash	2200	7.90		
					10000	8.00		
		Feb. 16, 2000	Feb. 16, 2000	Cash	7500	6.50		
					5000	6.90		
		Feb. 18, 2000	Feb. 18, 2000	Cash	2000	6.50		
		Mar. 21, 2001	Mar. 21, 2001	Cash	400	4.00		
		Mar. 27, 2001	Mar. 27, 2001	Cash	100	4.00		
		Mar. 29, 2001	Mar. 29, 2001	Cash	2700	4.00		
		Mar. 30, 2001	Mar. 30, 2001	Cash	1000	4.00		
		Apl. 18, 2001	Apl. 18, 2001	Cash	1000	3.75		
		May. 03, 2001	May. 03, 2001	Cash	1200	3.75		
		May 05, 2001	May. 05, 2001	Cash	300	3.75		
					200	3.60		
		May 08, 2002	May 08, 2002	Cash	50079	3.51		
		Oct. 24, 2003	Oct. 24, 2003	Cash	469	8.15		
					100	8.50		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
					200	8.55		
					200	8.60		
					400	8.65		
					51	8.70		
					100	8.80		
					500	8.90		
					300	8.95		
					3868	9.00		
		Oct. 31, 2003	Oct. 31, 2003	Cash	100	8.00		
					600	8.20		
					100	8.25		
					200	8.30		
					500	8.40		
		Nov. 03, 2003	Nov. 03, 2003	Cash	300	8.15		
					482	8.20		
		Nov. 04, 2003	Nov. 04, 2003	Cash	100	7.95		
					2400	8.00		
		Nov. 06, 2003	Nov. 06, 2003	Cash	1000	7.35		
					700	7.65		
					500	7.70		
					10800	8.00		
		Sep 01, 2005	Sep 01, 2005	Cash	-10749	53.00		
	Total			Equity Shares of Rs.10 each	**144,000**		**0.436**	**0.24**
3.	**Mr. Shishir Jaipuria**	Jul. 09, 1984	Jul. 09, 1984	Cash	200	10.00		
		Jul. 14, 1990	Jul. 14, 1990	Cash	300	10.00		
		Sep. 27, 1991	Sep. 27, 1991	Cash	500	36.50		
		Mar. 12 1993	Apl. 30, 1993	Cash	690	35.00		
		Jul. 20, 1998	Jul. 20, 1998	Cash	10	8.00		
	Total			Equity Shares of Rs.10 each	**1,700**		**0.005**	Negligible

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
4.	**Mr. Shishir Jaipuria (HUF)**	Oct. 16, 1991	Oct. 16, 1991	Cash	1000	33.00		
		Mar. 12 1993	Apl. 30, 1993	Cash	490	35.00		
		Sep. 24, 1997	Sep. 24, 1997	Cash	100000	10.00		
		Nov. 15, 1997	Nov. 15, 1997	Cash	60000	7.00		
		Jul. 20, 1998	Jul. 20, 1998	Cash	10	8.00		
		Sep. 24, 1998	Sep. 24, 1998	Cash	50000	6.45		
		Aug. 23, 2000	Aug. 23, 2000	Cash	-68000	10.00		
	Total			Equity Shares of Rs.10 each	**143,500**		**0.435**	**0.24**
5.	**Mrs. Sunita Jaipuria**	Jul. 14, 1990	Jul. 14, 1990	Cash	600	10.00		
		Sep. 27, 1991	Sep. 27, 1991	Cash	400	36.18		
		Mar. 12 1993	Apl. 30, 1993	Cash	480	35.00		
		Dec. 24, 1996	Dec. 24, 1996	Cash	50000	12.75		
		Jul. 20, 1998	Jul. 20, 1998	Cash	20	8.00		
		Aug. 28, 2000	Aug. 28, 2000	Cash	-50000	7.00		
	Total			Equity Shares of Rs.10 each	**1,500**		**0.005**	Negligible
6.	**Mr. Saket Jaipuria**	Jul. 14, 1990 Sep. 27, 1991	Jul. 14, 1990 Sep. 27, 1991	Cash Cash	1500 1100	10.00c 35.56		
		Mar. 12 1993	Apl. 30, 1993	Cash	1270	35.00		
		Dec. 26, 1996	Dec. 26, 1996	Cash	100000	11.00		
		Sep. 24, 1997	Sep. 24, 1997	Cash	27000	10.00		
		Nov. 15, 1997	Nov. 15, 1997	Cash	14900	7.00		
		Jul. 20, 1998	Jul. 20, 1998	Cash	-70	8.00		
		Dec. 04, 1999	Dec. 04, 1999	Cash	-2300	8.00		
		Aug. 23, 2000	Aug. 23, 2000	Cash	-28500	7.00		
	Total			Equity Shares of Rs.10 each	**114,900**		**0.348**	**0.19**
7.	**Master Yash**	Jul. 14, 1990	Jul. 14, 1990	Cash	1500	10.00		
	Jaipuria	Sep. 27, 1991	Sep. 27, 1991	Cash	2100	32.65		
		Mar. 12 1993	Apl. 30, 1993	Cash	1450	35.00		
		Dec. 26 1996	Dec. 26 1996	Cash	110000	11.00		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
		Jul. 20, 1998	Jul. 20, 1998	Cash	-50	8.00		
				-3500	8.00			
		Aug. 28, 2000	Aug. 28, 2000	Cash	-100000	7.00		
		May, 22. 2001	May, 22. 2001	Cash	500	3.55		
	Total			Equity Shares of Rs.10 each	**12,000**		**0.036**	**002**
8.	**Mr. Sharad Jaipuria**	Jul. 09, 1984	Jul. 09, 1984	Cash	500	10.00		
		Jul. 14, 1990	Jul. 14, 1990	Cash	600	10.00		
		Feb. 02, 92	Feb. 02, 92	Cash	100	36.50		
		Mar. 12 1993	Apl. 30, 1993	Cash	450	35.00		
		Jul. 20, 1998	Jul. 20, 1998	Cash	50	8.00		
	Total			Equity Shares of Rs.10 each	**1,700**		**0.005**	Negligible
9.	**Sharad Jaipuria (HUF)**	Jul. 14, 1990	Jul. 14, 1990	Cash	1000	10.00		
		Mar. 12 1993	Apl. 30, 1993	Cash	490	35.00		
		Jul. 20, 1998	Jul. 20, 1998	Cash	10	8.00		
	Total			Equity Shares of Rs.10 each	**1500**		**0.005**	Negligible
10.	**Ganesh Synthetics Private Limited**	Jul. 09 1984	Jul. 09 1984	Cash	24500	10.00		
		Jul. 14, 1990	Jul. 14, 1990	Cash	125500	10.00		
		Mar. 12 1993	Apl. 30, 1993	Cash	73030	35.00c		
		Jan . 11,95	Jan . 11,95	Cash	-42000	45.00		
		Dec. 18, 1995	Dec. 18, 1995	Amalgamation of Company *	136760	N.A.		
		Dec. 18, 1995	Dec. 18, 1995	Amalgamation of Company *	218200	N.A.		
		Dec. 18, 1995	Dec. 18, 1995	Amalgamation of Company *	194200	N.A.		
		Jul. 20, 1998	Jul. 20, 1998	Cash	10	8.00		
		Dec. 28, 2004	Dec. 28, 2004	Cash	550000	12.50		
		April 24, 2005		Cash	1,06,000	21.00		
	Total			Equity Shares of Rs.10 each	**1,386,200**		**4.200**	**2.34**

* Allotted in lieu of equity shares held in the erstwhile Lucknow Bottling Pvt. Ltd., Shajali Investment Pvt. Ltd & Shishir Investment Pvt. Ltd. on the implementation of the scheme of The Scheme of amalgamation of the said companies with Ganesh Synthetics Pvt. Ltd. as approved by the Allahabad High Court vide order dated December 18, 1995

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
11.	**Abhinav**	Jul. 14, 1990	Jul. 14, 1990	Cash	110000	10.00		
	Investments	Mar.12, 1993	Apl. 30, 1993	Cash	53550	35.00		
	Private Limited	May 17, 1993	May 17, 1993	Cash	-1000	35.00		
		Jul. 12, 1993	Jul. 12, 1993	Cash	2000	33.50		
				Cash	700	34.00		
		Jul. 14, 1993	Jul. 14, 1993	Cash	-45800	35.00		
		Jul. 19, 1993	Jul. 19, 1993	Cash	3800	29.35		
				Cash	8500	29.85		
				Cash	300	29.60		
				Cash	1000	30.10		
				Cash	1500	30.40		
		Jul. 26, 1993	Jul. 26, 1993	Cash	2300	34.00		
				Cash	300	33.50		
		Aug. 18, 1993	Aug. 18, 1993	Cash	1100	30.90		
		Sep. 07, 1993	Sep. 07, 1993	Cash	100	33.50		
				Cash	600	33.00		
		Sep. 27, 1993	Sep. 27, 1993	Cash	1200	29.40		
				Cash	900	29.15		
				Cash	2900	30.40		
		Apl. 12, 1994	Apl. 12 1994	Cash	395600	26.50		
				Cash	662000	26.00		
		Nov. 07, 1994	Nov. 07 1994	Cash	2400	56.30		
		Nov. 23, 1994	Nov. 23 1994	Cash	200	68.70		
		Dec. 08, 1994	Dec. 08 1994	Cash	500	56.00		
		Dec. 09 ,1994	Dec. 09 1994	Cash	500	56.60		
		Jan. 11, 1995	Jan. 11, 1995	Cash	-6000	45.00		
		Jan. 24, 1995	Jan. 24, 1995	Cash	60000	70.00		
		Jan. 31, 1995	Jan. 31, 1995	Cash	22000	45.00		
				Cash	-22000	30.00		
		Mar. 24, 1995	Mar. 24, 1995	Cash	-4100	42.00		
		Mar. 27, 1995	Mar. 27, 1995	Cash	20000	40.00		
		May 15 1995	May 15 1995	Cash	3000	33.50		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
		May 25 1995	May 25 1995	Cash	6000	33.50		
		Jun. 08 1995	Jun. 08 1995	Cash	400	35.00		
		Dec. 18, 1995	Dec. 18, 1995	Amalgamation of Company **	648880	N.A.		
		Dec. 18, 1995	Dec. 18, 1995	Amalgamation of Company **	178330	N.A.		
		Jul. 20, 1998	Jul. 20, 1998	Cash	-60	8.00		
		Apl. 01, 1997	Apl. 01, 1997	Cash	58100	11.70		
		Sep. 24, 1997	Sep. 24, 1997	Cash	3000000	10.00		
		Jun. 23, 1999	Jun. 23, 1999	Cash	-7600	3.93		
		Aug. 19, 1999	Aug. 19, 1999	Cash	300	8.65		
					1000	8.35		
		Aug. 20, 1999	Aug. 20, 1999	Cash	3700	8.25		
					200	8.35		
					1000	8.40		
					500	8.45		
					200	8.50		
					200	8.70		
		Aug. 23, 1999	Aug. 23, 1999	Cash	1500	8.50		
					800	8.60		
					100	9.00		
		Aug. 25, 1999	Aug. 25, 1999	Cash	6300	8.20		
					700	8.25		
					200	8.40		
					500	8.50		
		Aug. 27, 1999	Aug. 27, 1999	Cash	100	8.60		
					1600	8.60		
					1000	7.00		
		Aug. 30, 1999	Aug. 30, 1999	Cash	1000	7.90		
					200	7.80		
		Aug. 31, 1999	Aug. 31, 1999	Cash	1600	7.50		
		Sep. 01, 1999	Sep. 01, 1999	Cash	300	7.50		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
		Sep. 02, 1999	Sep. 02, 1999	Cash	1600	7.75		
		Sep. 06, 1999	Sep. 06, 1999	Cash	800	7.95		
					2800	8.00		
		Sep. 07, 1999	Sep. 07, 1999	Cash	100	8.00		
					200	8.15		
					100	8.20		
					5000	8.25		
		Sep. 08, 1999	Sep. 08, 1999	Cash	4200	8.25		
		Sep. 09, 1999	Sep. 09, 1999	Cash	500	7.95		
					900	7.75		
					300	8.00		
					5300	8.25		
		Sep. 10, 1999	Sep. 10, 1999	Cash	1000	8.10		
					3800	8.20		
					200	8.15		
		Sep. 14, 1999	Sep. 14, 1999	Cash	1000	8.20		
					3500	8.25		
		Sep. 15, 1999	Sep. 15, 1999	Cash	6800	8.25		
					3700	8.20		
		Sep. 16, 1999	Sep. 16, 1999	Cash	2300	8.10		
					5000	8.25		
		Sep. 17, 1999	Sep. 17, 1999	Cash	900	8.35		
					700	8.20		
		Sep. 20, 1999	Sep. 20, 1999	Cash	100	8.25		
				Cash	6300	8.00		
		Sep. 21, 1999	Sep. 21, 1999	Cash	2000	8.10		
					400	8.20		
					3600	8.25		
		Sep. 24, 1999	Sep. 24, 1999	Cash	2000	8.20		
		Sep. 28, 1999	Sep. 28, 1999	Cash	200	8.20		
		Sep. 29, 1999	Sep. 29, 1999	Cash	1000	8.20		
		Oct. 01, 1999	Oct. 01, 1999	Cash	2000	8.00		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
					4000	8.10		
					2000	8.20		
		Oct. 04, 1999	Oct. 04, 1999	Cash	500	8.00		
		Oct. 05, 1999	Oct. 05, 1999	Cash	2000	8.00		
		Oct. 15, 1999	Oct. 15, 1999	Cash	8890	8.00		
		Oct. 28, 1999	Oct. 28, 1999	Cash	-100000	8.30		
					200	8.00		
					2200	9.00		
		Nov. 09, 1999	Nov. 09, 1999	Cash	800	9.00		
		Nov. 11, 1999	Nov. 11, 1999	Cash	800	9.00		
		Nov. 12, 1999	Nov. 12, 1999	Cash	2200	9.00		
		Nov. 15, 1999	Nov. 15, 1999	Cash	3000	9.00		
		Nov. 16, 1999	Nov. 16, 1999	Cash	2000	8.50		
		Nov. 17, 1999	Nov. 17, 1999	Cash	500	8.40		
					1000	8.45		
					3100	8.50		
					3900	8.00		
		Nov. 18, 1999	Nov. 18, 1999	Cash	7000	8.00		
		Nov. 22, 1999	Nov. 22, 1999	Cash	3000	8.00		
					1000	7.90		
		Nov. 24, 1999	Nov. 24, 1999	Cash	3000	8.00		
		Dec. 04, 1999	Dec. 04, 1999	Cash	6600	8.00		
		Jan. 31, 2000	Jan. 31, 2000	Cash	1000	9.20		
					1000	9.25		
					500	9.30		
					1300	9.45		
		Feb. 01, 2000	Feb. 01, 2000	Cash	800	9.20		
					600	9.30		
					2000	9.35		
		Feb. 02, 2000	Feb. 02, 2000	Cash	500	9.60		
					300	9.65		
					500	9.70		
					1900	9.75		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
					400	9.80		
					1000	9.85		
		Feb. 03, 2000	Feb. 03, 2000	Cash	15000	9.50		
		Feb. 04, 2000	Feb. 04, 2000	Cash	300	9.20		
					5000	9.25		
		Feb. 07, 2000	Feb. 07, 2000	Cash	5000	8.25		
					5000	8.50		
					5000	8.75		
					10000	9.10		
					10500	9.00		
		Feb. 07, 2000	Feb. 07, 2000	Cash	-102100	9.00		
		Aug. 16, 2000	Aug. 16, 2000	Cash	100000	7.00		
		Aug. 23, 2000	Aug. 23, 2000	Cash	28500	7.00		
					50000	7.00		
					68000	7.00		
		Jun. 06, 2001	Jun. 06, 2001	Cash	100	3.80		
		Jun. 08, 2001	Jun. 06, 2001	Cash	200	4.00		
		Jun. 11, 2001	Jun. 06, 2001	Cash	2000	4.00		
		Jun. 11, 2001	Jun. 06, 2001	Cash	1000	3.70		
					1000	3.85		
					2000	3.00		
					1900	2.90		
		Jun. 13, 2001	Jun. 06, 2001	Cash	100	3.45		
					10000	3.50		
					2000	3.25		
					500	3.70		
					600	3.05		
		Jun. 14, 2001	Jun. 06, 2001	Cash	5000	2.95		
					5000	2.90		
		Jun. 15, 2001	Jun. 06, 2001	Cash	5000	2.20		
					4500	2.15		
		Jun. 14, 2001	Jun. 06, 2001	Cash	1000	3.25		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
					3000	3.00		
		Jun. 22, 2001	Jun. 06, 2001	Cash	100	3.20		
					13100	3.25		
		Dec. 28, 2004	Dec. 28, 2004	Cash	-550000	12.50		
		Jul. 14, 1990	Jul. 14, 1990	Cash	110000	10.00		
	Total			Equity Shares of Rs.10 each	**4,931,190**		**14.943**	**8.32**
	** Alloted in lieu of equity shares held in the erstwhile Ashutosh Foods Industries Pvt. Ltd. and Safeway Carriers Pvt. Ltd. on the implementation of the scheme of amalgamation of the said companies with Abhinav Investments Pvt. Ltd. as approved by the Allahabad High Court vide order dated December 18, 1995							
12.	**Shishir Finstock**	Jan. 11, 95	Jan. 11, 95	Cash	160000	45.00		
	Private Limited		April 24, 2005	Cash	-1,06,000	21.00		
	Total			Equity Shares of Rs.10 each	**54,000**		**0.164**	**0.09**
13.	**Ginni Power Limited**	Jan. 24, 95	Jan. 24, 95	Cash	27100	70.00		
	Total			Equity Shares of Rs.10 each	**27,100**		**0.082**	**0.05**
14.	**Lahoti**	Sept.16, 2003	Sept.16, 2003	Cash	1000	8.50		
	Merchandise				450	8.30		
	Private Limited	Sept.18, 2003	Sept.18, 2003	Cash	400	8.75		
					200	9.25		
					500	9.05		
					500	9.45		
					100	9.05		
					500	9.45		
					200	9.75		
					200	9.05		
					200	9.15		
					2	9.20		
		Sept.19, 2003	Sept.19, 2003	Cash	371	8.50		
		Sept.25, 2003	Sept.25, 2003	Cash	1000	8.50		
					500	8.41		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
		Oct. 01, 2003	Oct. 01, 2003	Cash	3250	8.50		
		Oct. 09, 2003	Oct. 09, 2003	Cash	100	8.65		
					600	8.70		
					100	8.75		
		Oct. 15, 2003	Oct. 15, 2003	Cash	600	8.90		
					50	8.95		
		Oct. 16, 2003	Oct. 16, 2003	Cash	500	8.60		
					200	8.50		
		Oct. 20, 2003	Oct. 20, 2003	Cash	1050	8.50		
					700	8.35		
		Oct. 21, 2003	Oct. 21, 2003	Cash	700	8.70		
					100	8.65		
		Oct. 22, 2003	Oct. 22, 2003	Cash	1450	8.15		
					150	8.20		
		Oct. 23, 2003	Oct. 23, 2003	Cash	1000	8.15		
		Mar. 22, 2004	Mar. 22, 2004	Cash	13964	7.75		
		Mar. 23, 2004	Mar. 23, 2004	Cash	3800	7.20		
					100	7.40		
					500	7.50		
					50	7.35		
					1700	7.65		
					300	7.60		
		Mar. 26, 2004	Mar. 26, 2004	Cash	950	8.10		
		Mar. 29, 2004	Mar. 29, 2004	Cash	200	7.90		
					1456	7.95		
					3800	8.00		
					499	7.75		
		Apl. 20, 2004	Apl. 20, 2004	Cash	500	9.70		
					200	9.80		
					500	9.85		
					1100	10.00		
		Apl. 21, 2004	Apl. 21, 2004	Cash	3095	9.75		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
					795	9.70		
					500	9.65		
					400	9.60		
		Apl. 27, 2004	Apl. 27, 2004	Cash	650	9.40		
		Apl. 29, 2004	Apl. 29, 2004	Cash	500	9.50		
					500	9.55		
					1996	9.60		
		Jul. 20, 2004	Jul. 20, 2004	Cash	500	12.85		
					493	12.90		
					400	12.95		
					2300	13.00		
		Jul. 21, 2004	Jul. 21, 2004	Cash	1000	12.90		
					3179	12.95		
		Jul. 22, 2004	Jul. 22, 2004	Cash	500	12.95		
					600	13.00		
	Total			Equity Shares of Rs.10 each	**63,700**		**0.193**	**0.11**
15.	Apex Infocom Services Private Ltd	Nov.12, 2003	Nov.12, 2003	Cash	1000	8.80		
					100	8.90		
					1000	8.65		
					1200	8.70		
					100	8.75		
					550	9.00		
		Mar. 01, 2004	Mar. 01, 2004	Cash	800	9.00		
		Mar. 03, 2004	Mar. 03, 2004	Cash	830	8.95		
					27628	9.00		
		Mar. 05, 2004	Mar. 05, 2004	Cash	750	9.00		
		Mar. 10, 2004	Mar. 10, 2004	Cash	1531	9.00		
		Mar. 11, 2004	Mar. 11, 2004	Cash	200	9.00		
		Mar. 12, 2004	Mar. 12, 2004	Cash	616	9.00		
		Mar. 15, 2004	Mar. 15, 2004	Cash	2000	9.00		
		Mar. 16, 2004	Mar. 16, 2004	Cash	300	8.95		

Sl. No.	Name	Date of allotment/ acquisition/ Transfer/	Date when made fully paid-up	Consideration (cash/ bonus/ kind, etc.)	Number of Equity Shares (of face value Rs. 10 each)	Issue/ Transfer Price (Rs. per Share)	% of pre Issue paid-up equity capital	% of post Issue paid-up equity capital
					1400	9.00		
		Mar. 17, 2004	Mar. 17, 2004	Cash	250	8.80		
					300	8.75		
		Mar. 18, 2004	Mar. 18, 2004	Cash	200	8.80		
					200	8.75		
					200	8.70		
		Mar. 19, 2004	Mar. 19, 2004	Cash	2000	8.70		
					200	8.85		
					825	8.95		
					697	9.00		
					2000	8.65		
					16925	8.50		
					1926	8.75		
					997	8.55		
					20000	8.60		
		Mar. 22, 2004	Mar. 22, 2004	Cash	2000	7.90		
					1275	7.75		
				Equity Shares of Rs.10 each	**90000**		**0.272**	**0.15**
16.	**Sriram**	Jul. 02, 94	Jul. 02, 94	Cash	5441799	25.00		
	Holding Ltd.	Apl. 01, 97	Apl. 01, 97	Cash	14044300	11.70		
		August 9, 2005		Cash	(-) 30,00,000	25.51		
	Total			Equity Shares of Rs.10 each	**16486099**		**49.958**	**27.82**

(-) implies shares were transferred

3. Shareholding Pattern of our Company prior to and post the Issue

Category of Shareholders	Prior to the Issue		Post-Issue	
	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)
Promoters and Promoter Group	23,460,089	71.091	27904533	47.09
Public	9539911	28.909	31358092	52.91
Total	33,000,000	100.00	59262625	100.00

4. Our Company, its promoters, our Directors and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.

5. In the case of oversubscription in all categories, at least 35% and 15% of the net offer to the public shall be allocated on a proportionate basis to Retail Individual Investors and Non-Institutional Investors respectively. 50% of the Net Issue shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Undersubscription, if any, in any category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM.

   Over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearer multiple of minimum allotment bid.

   The unsubscribed portion, if any, after inter se adjustments amongst the reserved categories shall be added back to the net offer to the public.

6. The list of top ten shareholders of our Company and the number of Equity Shares held by them is as under:

   (a) Top ten shareholders of our Company as on December 26, 2005 are as follows:

Sr. No.	Name of Shareholders	Number of Equity Shares of Re. 10 each	% Shareholding
1	Sriram Holding Ltd.	16486099	49.96
2	Abhinav Investments Pvt. Ltd.	4931190	14.94
3	Ganesh Synthetics Pvt. Ltd.	1386200	4.20
4	Suniti Devi Jaipuria	144000	0.44
5	Shishir Jaipuria Karta HUF	143500	0.43
6	Saket Jaipuria	114900	0.35
7	C. A. Galiakotwala Co. Ltd.	102100	0.31
8	B.V.L.Exports Pvt. Ltd.	95000	0.29
9	Apex Infocom Services Pvt. Ltd.	90000	0.27
10	Karvy Stock Broking Ltd.	76967	0.23

(b) Top ten shareholders of our Company as on December 16, 2005 are as follows:

Sr. No.	Name of Shareholders	Number of equity shares of Rs. 10 each	% Shareholding
1	Sriram Holding Ltd.	16486099	49.96
2	Abhinav Investments Pvt. Ltd.	4931190	14.94
3	Ganesh Synthetics Pvt. Ltd.	1386200	4.20
4	Shreevats Jaipuria	197900	0.60
5	Suniti Devi Jaipuria	144000	0.44
6	Shishir Jaipuria Karta HUF	143500	0.43
7	Saket Jaipuria	114900	0.35
8	C A Galiakotwala & Co. Pvt. Ltd.	102100	0.31
9	Archana Finstock Pvt Ltd.	100000	0.30
10	Laxman Rao Dubbi Reddy	95000	0.29

(c) 2 years prior to the date of filing with the SEBI/ROC

Sr. No.	Name of Shareholders	Number of Equity Shares of Re. 10 each	% Shareholding
1	Sriram Holding Ltd.	19486099	59.05
2	Abhinav Investments Pvt. Ltd.	5481190	16.61
3	Ganesh Synthetics Pvt. Ltd.	730200	2.21
4	Global Emerging Markets India Ltd.	264800	0.80
5	Shreevats Jaipuria	237900	0.72
6	Shishir Finstock Pvt. Ltd.	160000	0.48
7	Suniti Devi Jaipuria	154749	0.47
8	Anjali Jaipuria	145605	0.44
9	Shishir Jaipuria Karta HUF	143500	0.43
10	Lalita Kayan	120000	0.36

7. Our Promoter group, or the directors of our Promoter companies or our Directors have not purchased or sold any Equity Shares except as mentioned below, during a period of six months preceding the date on which this Prospectus is filed with SEBI.

Sl. No.	Name of Promoters/directors of our Promoter companies	Shares purchased /(sold)	Share Price Rs.	Date of transaction
1.	Sriram Holding Limited	(30,00,000)	25.51	09.08.2005
2.	Smt. Suniti Devi Jaipuria	(10,749)	53.00	01.09.2005

8. There have been no sales or purchases of securities of our Company by any relative of our Promoters except as mentioned below, in the six months preceding the date on which this Prospectus is filed with SEBI.

Sl. No.	Name of Promoters/directors of our Promoter companies	Shares purchased /(sold)	Share Price Rs.	Date of transaction
1.	Smt. Suniti Devi Jaipuria	(10,749)	53.00	01.09.2005

9. Our Company has not granted any options or issued any shares under any employee stock option or employees stock purchase scheme.
10. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
11. Except as disclosed in this Prospectus, none of our Directors and key managerial employees holds any Equity Shares in the Company.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
13. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
14. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
15. As on September 22, 2005 the total number of holders of Equity Shares 21,365.
16. We have not raised any bridge loans against the proceeds of the Issue.
17. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
18. We confirm that the guidelines relating to preferential allotments as prescribed by SEBI have been complied with, including obtaining a certificate from the statutory auditors of our Company.
19. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, except as disclosed above.
20. Locked-in Equity Shares held by the promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the promoters may be transferred to and amongst the promoters/ promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.
21. Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SAST Regulations, as applicable.
22. The following Promoters/Promoter Group have pledged 61,55,000 Equity Shares comprising 18.65% of the paid-up capital of GFL held by them in favour of IFCI Limited and EXIM Bank as security for the financial assistance extended to the Company as per details given below:

SL.NO.	NAME	NO. OF SHARES
1.	Dr. Rajaram Jaipuria	1000
2.	Shri Shishir Jaipuria	1700
3.	Abhinav Investments Pvt. Ltd.	4872100
4.	Ganesh Synthetics Pvt. Ltd.	1280200
	Total	**61,55,000**

Significant terms and conditions:

- GFL shall agree that IFCI shall have the right to accelerate the repayment schedule and increase the rate of interest should the future profitability and cash flow and other circumstances so warrant based on review of the performance of GFL.
- GFL shall agree that IFCI shall have the right of recompense of waivers/sacrifices consequent to the debt restructuring.
- GFL shall not declare any dividend on its equity shares without the prior written approval of IFCI.

23. Securities offered through this public issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities.

III.4 OBJECTS OF THE ISSUE

The objects of the Issue are:-

1. To expand the existing spinning capacity of Ring and Open End Spinning of cotton yarn.
2. To set up a green field Nonwoven Fabric manufacturing Unit.
3. To set up a green field Garment manufacturing Unit.
4. To meet the issue expenses.

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enable the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue. GFL further confirms that the activities of the Company carried out until now are in accordance with the objects of the Memorandum of Association of the Company.

Cost of the Project

The total cost of the project is estimated at Rs. 204.24 crores. The different heads of project cost are detailed in the table given below:

Rs. in crores

	Spinning Expansion	Nonwoven Fabrics	Garments	Total Project Cost
Land and its Development	0.00	3.11	1.55	4.66
Civil Structural & Building	5.43	5.75	1.09	12.27
Plant & Machinery	49.83	97.16	3.03	150.02
Miscellaneous Fixed Assets	0.30	1.97	0.28	2.55
Contingencies @ 5%	2.78	5.40	0.30	8.47
Total Hard Cost :-	58.34	113.39	6.25	177.97
Pre-operative Charges (incl. Issue expenses)	3.06	7.34	0.50	10.90
Margin Money For Working Capital	3.89	8.93	0.68	13.50
IDC	0.46	1.35	0.06	1.87
Total Cost:-	65.75	131.00	7.49	204.24

Out of the total project cost of Rs. 204.24 crores, net tangible assets worth Rs. 177.97 crores will be created.

Means of Finance

The project is proposed to be funded by term loans from banks, financial institutions and equity by way of a public issue in the ratio of 2.40: 1. The proposed means of the finance for the project will be as under:

Rs. in crore

	Total
Equity Capital:	
Promoters Contribution	12.00
Public	48.00
Debt:	
Term Loan	144.24
Total	**204.24**

Promoters' Contribution

1. The Promoters will bring in their contribution of Rs. 12 Crores atleast 3 days before the opening of the Issue.
2. A Chartered Accountant's certificate confirming the receipt of money would be submitted to SEBI.
3. The Board of our Company would pass a resolution, stating that our Company has received Rs. 12 Crores from the Promoters and allotment of shares (total number of shares to be allotted to be decided on the finalisation of Issue Price through Book building route) to the Promoters, would be done along with the allotment to all the applicants in the Public Issue.
4. A certified copy of the resolution would be submitted to SEBI before the opening of the Issue.
5. The shares allotted to the Promoters in this Issue will be locked in for a period of one year from the date of allotment. In addition, 20% of the post-issue capital would be locked in for a period of three years from date of allotment or date of commencement of commercial operation whichever is later as per the applicable SEBI guidelines.

Debt

The total debt component of Rs. 144.24 crores is being funded by Rupee Term Loan under Technology Upgradation Fund Scheme (TUFS). The Company has received the sanction from banks for the entire debt component.

Technology Upgradation Fund Scheme (TUFS)

Government of India has launched Technology Upgradation Fund Scheme (TUFS) for Textile and Jute Industries initially for a period of 5 years with effect from 1st April 1999, and the same has been extended up to March 31, 2007. Under this scheme, effective rate of interest charged to the concerned borrower will be five percentage points lower than the prevailing commercial rates of interest charged by the Financial Institutions and Banks concerned; the Ministry of Textiles will reimburse the five percentage points under the scheme.

There is no cap on funding under this scheme. Further, loans sanctioned by the lending agency till the last date of the duration of the scheme period will be eligible under the scheme and the reimbursement would continue to be available till the same is repaid as per the normal lending period of the nodal agency.

Quantum of term loan eligible for interest subsidy of 5% under TUFS

Under TUFS, apart from the investment in the main plant and machinery, the investments into land, building, preliminary and preoperative expenses etc. will also be eligible to the extent necessary for the plant and equipment to be installed for Technology Upgradation and the total of such investments in excess of 25% of the total investment in such plant and machinery will not be considered under the scheme.

The broad terms of the term loan under TUFS is as given below:

Nature of borrowing	TUFS Loan
Loan Amount	Rs. 144.24 Crores
Interest Rate	3.25% p.a. payable monthly (Considering 5% subsidy/concession under TUFS)
Moratorium Period	5 quarters from Commercial Operation Date (CoD) of spinning & garment division.
Repayment	24 quarterly installments commencing after 5 quarters from CoD.
Security	■ First pari-passu charge on all fixed assets of this division of GFL.
	■ Second pari-passu charge on the current assets of GFL.
	■ Equitable mortgage on the land and building of GFL with pari-passu basis.

We confirm that firm arrangements of finance through verifiable means towards 100% of the stated means of finance, excluding the amount to be raised through the Issue, have been made. The details are as follows:

Lender's Name	Amount Sanctioned (Rs. in Lacs)	Amount proposed to be availed (Rs. in Lacs)	Date of Sanction
State Bank of India	6400	5500	02.08.2005
Bank of Baroda	5000	3400	22.08.2005
State Bank of Bikaner & Jaipur	5000	3400	09.08.2005
Export Import Bank of India	3000	2124	05.09.2005
TOTAL	19400	14424	

Any amounts raised in excess of the funds required for the proposed projects and the Issue expenses, will be utilized for general corporate purposes and likewise, if any amount raised is short of the funds required for the proposed projects and the issue expenses, will be funded from internal accruals.

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

Appraisal Details

Although the Project has not been appraised by any bank/financial institution, a financial appraisal has been done by SBI Capital Markets Limited.

Revision in the Project plan

GFL initially proposed to expand its spinning capacity at the existing location i.e. 110 K.M. on Delhi- Mathura Road. The major considerations for the expansion at the existing location were:-

- Availability of Land
- Use of common factors like Captive Power, Laboratory etc.
- Benefits of common staff and other administrative costs.
- Optimum utilisation of existing installed capacities.

The expansion projects were accordingly appraised by SBI Capital Markets Ltd. during April & May, 2005. Meanwhile, the prices of furnace oil have increased substantially due to the rising international crude oil prices. The Company has a captive power unit using D.G. Sets run on furnace oil. To cater to the increased power requirement on account of the proposed spinning expansion, a separate DG set was proposed to be installed. With the increase in furnace oil price, the cost of power generation with furnace oil has increased by about Rs.1.00 per unit. It is further envisaged that the high price scenario on fuel oils will continue. In view of the same, the Company has decided against adding any further capacity of power generation using furnace oil. Instead the Company would generate power using gas that is substantially cheaper i.e. Rs. 1.30 per unit than power generated using furnace oil.

The Company also proposed to set up a nonwoven fabric unit at Panoli and had decided on gas based captive power generation for the unit. In view of the availability of gas and the excess land, the Company now proposes to undertake the expansion of ring spinning capacity at Panoli, Gujarat instead of Chhata, U.P.

The expansion in open end spinning by debottlenecking the existing operations will optimise the existing operations. SBI Capital Markets Ltd. has assessed that this will not have any material impact on the project cost.

Schedule for implementation

The proposed schedule of implementation for the three projects is detailed below:

Spinning Project: Debottlenecking at Existing Plant

	Activity	Commencement	Completion	Status (as on 15.11.2005)
1	Site Acquisition:	Existing Plant	N.A.	
2	Development of Land and construction of building	July, 2005	March, 2006	Land has been cleared for construction.
3	Selection and Ordering of Machinery	June, 2005	February, 2006	All the machines have been selected and major machines ordered.
4	Installation of machinery and utilities	February, 2006	February, 2006	
5	Trial Production	March, 2006	April, 2006	
6.	Commercial Production		April, 2006	

Expansion of Spinning project at Panoli, Gujarat:

	Activity	Commencement	Completion	Status (as on 15.11.2005)
1	Site Acquisition	June 2005	November, 2005*	GIDC vide its letter dated 14.09.2005 has offered allotment of land (Plot No. 205 & 206 and Area of 1,01,120 sq. mtrs.) at Panoli Estate to the Company subject to fulfillment of certain conditions.
2	Development of Land and construction building	November, 2005*	March, 2006	
3	Selection and Ordering of Machinery	June 2005	February, 2006	All the machines have been selected.
4	Installation of machinery and utilities	February, 2006	February, 2006	
5	Trial Production	March 2006	April, 2006	
6	Commercial Production		April 2006	

* As per the original plan, the activity was scheduled for October, 2005. However, there has been delay of one month in fulfillment of certain conditions specified by GIDC. Possession of the said land is expected by first week of December. However, the expected time of commercial production remains the same.

Nonwoven Project at Panoli, Gujarat:

	Activity	Commencement	Completion	Status (as on 15.11.2005)
1	Site Acquisition	June 2005	November, 2005 **	GIDC vide its letter dated 14.09.2005 has offered allotment of land (Plot No. 205 & 206 and Area of 1,01,120 sq. mtrs.) at Panoli Estate to the Company subject to fulfillment of certain conditions.
2	Development of Land and construction of building	November, 2005 **	August, 2006	
3	Selection and Ordering of Machinery	June 2005	June, 2006	All the machines have been selected and major machines ordered
4	Installation of machinery and utilities	August 2006	August, 2006	
5	Trial Production	September 2006	October, 2006	
6	Commercial Production		October 2006	

****** As per the original plan, the activity was scheduled for October, 2005. However, there has been delay of one month in fulfillment of certain conditions specified by GIDC. Possession of the said land is expected by first week of December. However, the expected time of commercial production remains the same.

Garments Project:

	Activity	Commencement	Completion	Status (as on 15.11.2005)
1	Site Acquisition	September 2005	December,2 005 #	3 plots identified, 1 to be finalised in Dec., 05. #
2	Development of Land and construction of building	December 2005 #	March, 2006	Construction is expected to be commenced in Dec. 05. #
3	Selection and Ordering of Machinery	October 2005	February, 2006	All the machines have been selected and orders yet to be made.
4	Installation of machinery and utilities	February 2006	February, 2006	
5	Trial Production	March 2006	April, 2006	
6	Commercial Production		April 2006	

As per original schedule, the activity was scheduled for October, 2005. However, a delay of two months is expected for finalising the plot of land. However, expected time of the commercial production remains the same due to inbuilt buffer in the project schedule.

Funds deployed in the above mentioned projects.

The total expenditure which has been incurred on the projects, as of November 15, 2005, as certified by Chartered Accountants is as detailed in the table:

(Rupees in Lacs)

Particulars	**Invested upto 15/11/2005**
Land (Nonwoven)	289.19
Advance against supply of Machines/Expenses (Spinning Project)	117.42
Architect Fee	1.00
Appraisal fees/Lead Merchant Banker fee	88.85
Other expenses	37.92
Total	**534.38**
Source of Finance:	
Internal accrual/unsecured loans	534.38
Total	**534.38**

Letter of Credit for import of Plant & Machinery in favour of foreign suppliers for Euro 1,69,17,500 and CHF 37,22,170 equivalent to Indian amount of approximately Rs. 106.63 crores have been opened by lending bankers of the project as per following details:

Lender's Name	**Amount (Rs. in Lacs)**
State Bank of India	5455
Bank of Baroda	2785
State Bank of Bikaner & Jaipur	2423
TOTAL	**10663**

QUARTERLY SCHEDULE OF DEPLOYMENT OF BALANCE FUND

Rs. in Lacs

	Total	**Expenses Incurred (upto 15th November 2005)**	**December 2005**	**March 2006**	**June 2006**	**September 2006**
Land & Site Development	465	289	176	0	0	0
Building	1227	1	410	441	150	225
Plant & Machinery	15257	155	1275	4914	700	8213
Pre-operative Expenses	1277	89	359	385	200	244
Contingency	848	0	0	308	0	540
Margin Money for WC	1350	0	0	457	0	893
Total expenses	**20424**	**534**	**2220**	**6505**	**1050**	**10115**

Contracts for the implementation of the projects

The details of the material agreements incl. Orders for plant & machinery, which have already been entered into for the implementation of the expansion plans of the Company as on 15th November 2005 are as follows:

a) Spinning Project:

Indigenous Plant & Machinery / Equipments

(Rs. in Lacs)

Sl No.	Description of the Machinery	No. of Machines	Name of Suppliers	Date of placing order/Date of offer	Date of expected Delivery	Total Landed Cost
1.	Ring Frames *	14	Kirloskar Toyoda Textiles Machinery Pvt. Ltd.	Order No. GFLVPMKTG Dt. 28.06.05	April'06 to June' 06	578.79

* Order for attachments to be placed at an estimated value of Rs. 425.49 lacs

b) Nonwoven Project:

Considering the market size and available plant sizes, the Company proposes to install a plant with manufacturing capacity of 12000 MT per annum. The Company proposes to use the Spunlace Fabric Technology. The machinery has been finalised for manufacture of Nonwoven Fabric of 3.2 mtrs width.

M/s Rieter Perfojet, France would supply the main complete Plant on turnkey basis along with the Blow Room, Card, Aquajet, Dryer, Winder, Slitter, Water Filtration Plant etc. Further, Rieter also will provide after sales service in India through their subsidiary Rieter India Ltd.

The scope of the contract with Rieter includes the equipment, design, technical documentation & knowledge as well as assistance and supervision of erection, commissioning for machinery of the line to produce spunlace nonwoven and provision of further services.

c) Garments Project:

The Company proposes to install a plant with manufacturing capacity of 15000 pieces of garments per day i.e. 5250000 garments per annum. The Company has selected Yamato as the supplier of stitching machines, which is considered to be one of the top brands available at reasonable price. The preparatory machines would be from Gerber, U.S.A, a widely used and renowned brand. Since delivery of the machinery is available at a short notice, orders will be placed at the appropriate time.

Issue Related Expenses

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository fees. The estimated Issue expenses are as follows:

Rs. in Lacs

Activity	Expense	As % of Total Issue Expense	As % of Total Issue Size
Lead Management, underwriting and selling commissions	144	37.23	2.40
Advertising and marketing expenses	65	16.81	1.08
Printing and Stationary expenses	106	27.41	1.77
Registrar Fees	20	5.17	0.33
Legal Advisor Fees	10	2.59	0.17
Others	41.75	10.79	0.70
Total estimated Issue expenses	**386.75**	**100.00**	**6.45**

Interim Use of Proceeds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks, for the necessary duration or for reducing overdraft to save interest costs. Such investments would be in accordance with investment policies approved by our Board of Directors from time to time.

Monitoring of Utilisation of Funds

Our Board will monitor the utilization of the proceeds of the Issue. As per regulatory requirements, we will disclose the utilisation of the proceeds of the Issue under a separate head in our Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our directors, key management personnel or companies promoted by our promoters except in the usual course of business.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws 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, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Prospectus at a total price of Rs. 22/- per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

1. Right to receive dividend, if declared;
2. Right to attend general meetings and exercise voting powers, unless prohibited by law;
3. Right to vote on a poll either in person or by proxy;
4. Right to receive offers for rights shares and be allotted bonus shares, if announced;
5. Right to receive surplus on liquidation;
6. Right of free transferability of shares; and
7. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see section titled "Main Provisions of Articles of Association of the Company" on page 217 of this Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 300 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of 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 the registered office of our Company or at the registrar and transfer agent of our Company.

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 our Board, elect either:

a. to register himself or herself as the holder of the Equity Shares; or

b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our 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 90 days, our 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 dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive a minimum subscription of 90% of the Issue to the extent of the amount payable on application, including devolvement of Underwriters, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid/ Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

BASIS FOR ISSUE PRICE

The Price Band for the Issue Price will be decided by us in consultation with the BRLM and advertised at least one day prior to the Bid Opening Date/Issue Opening Date in Economic Times, an English language newspaper, Jansatta , a Hindi language newspaper with wide circulation and Gujarat Samachar, a regional newspaper. The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 1.9 times the face value at the lower end of the Price Band and 2.2 times the face value at the higher end of the Price Band.

QUALITATIVE FACTORS

Professional Management

The Company is managed by a qualified management team with several years of relevant experience in their domain as discussed in “Details regarding Key Management Personnel” under section IV.4. The management team is supported by Board of Directors who are qualified and having a vast experience in textile industry.

Raw material

Sourcing Cotton is an important element in the spinning industry. The focus has been to develop competencies in this area and source directly from the market. Our agents are permanently stationed at the sources of supply, giving us information on the market conditions to help us plan the procurement strategy. Our international relationships provide us opportunities to source instantly from global markets, if required.

Utilities

Power is one of the key inputs in the spinning process. GFL is meeting its entire power requirements through DG Sets run on furnace oil. Being a 100% EOU, the Company is able to purchase furnace oil directly at landed cost. Hence, the power cost per unit is lower against that charged by State Electricity Board. Captive power generation also assures a continuous supply. For the proposed expansions, the Company proposes to install captive power generation units based on gas.

Operations & Maintenance

The Company has installed state of the art machinery and monitoring equipment. The Company has trained personnel who maintain and run the machines. Also all the key imported equipment suppliers have their service centers in India and thereby the Company is assured of spares and help, if required. The Company has been recognised at various forums for its performance in Exports and cost reduction measures.

Existing customer relationships

The Company follows stringent norms and guidelines prescribed by the customers to adhere with their quality standards. GFL has managed to earn a goodwill in the markets they operate in, giving an advantage against competition. The Company has been able to retain customers . The Company is a 100% Export Oriented Unit and presently exports to countries like Italy, Hong Kong, Bangladesh etc.

Quality Standards

GFL adheres to all the quality standards as prescribed by customers/purchasers for products and processes. Buyers therefore depend upon the products of GFL which in turn enable them to maintain their brand equity with their customers. The Company has received the IS/ISO 9001: 2000 certification for Quality Management System certified by the Bureau of Indian Standards for the manufacturing facilities located at Chhata, Uttar Pradesh which is valid upto June 7, 2006.

QUANTITATIVE FACTORS

The Information about us that has been presented in this section is derived from our restated financial statements prepared in accordance with Indian GAAP.

Some of the quantitative factors, which may form the basis for computing the Issue Price, are as follows:

1. **Earning Per Share (EPS) of face value of Rs. 10**

Year	Adjusted EPS (Rs.)	Weight
FY 2003	1.28	1
FY 2004	1.64	2
FY 2005	0.48	3
TTM* as on Jun 30, 2005	1.49	—
Weighted Average	1.00	

* TTM stands for Trailing Twelve Months

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. 22/-**

(i) Based on TTM earnings (from July 1, 2004 to June 30, 2005) : 14.77

(ii) Industry P/E:

Highest	34.08
Lowest	11.96
Average	19.36

Source: Capitaline Plus online database as queried on 15/09/2005 04:01 PM for the Category: Textiles >> Spinning >> 100% EOUs

3. **Return on Net Worth (RoNW)**

Year	RoNW (%) *	Weight
FY 2003	6.48	1
FY 2004	7.93	2
FY 2005	2.32	3
Weighted Average	**4.88**	

RoNW has been calculated as the ratio of Net profit after tax to Net Worth where:

i. Net Profit after tax is the Net Profit after tax and preference dividend as attributable to the equity shareholders; and

ii. Net worth is the equity shareholders fund (i.e., Net Worth as shown in the Annexure VIII to the Report on the Restated Financial Statements, *minus*, Preference Share Capital, premium payable on redemption of Preference share capital and miscellaneous expenditure to the extent not written off).

4. **Minimum return on increased Net Worth required to maintain pre-Issue EPS of Rs. 1.49: 6.75**

5. **Net Asset Value per share (NAV)**

	NAV (Rs)
As on March 31, 2005	20.55
As on Jun 30, 2005	21.48
After the Issue	22.08
Issue Price* a) To Promoters	27.00
b) Net Offer	22.00

* The Issue Price would be determined on the basis of the demand from the investors through the book building process.

6. Comparison of Accounting Ratios for with industry peers

Particulars	**RONW % (FY 05)**	**NAV (Rs.) (FY 05)**	**EPS (Rs.) (TTM)**	**P/E (TTM)**
Ginni Filaments	2.82	20.84	1.49	32.2
Category: Textiles > > Spinning > > 100% EOUs				
Indo Count Industries	5.96	31.96	2.27	18.92
Eurotex Industries	7.24	72.09	4.77	11.96
Spentex Industries*	—	—	2.37	19.4

*Spentex FY 05 results not available on Capitaline. As per 2004 figures, RoNW is 0; NAV is 3.96.

STATEMENT OF TAX BENEFITS

The Company has been advised that under the current tax laws, the following tax benefits, inter alia will be available to the Company and its shareholders.

Statement of Possible tax benefits available to the Company and its Shareholders

(A) Benefits to the Company under Income-Tax Act, 1961 (the Act)

1. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is exempted from the tax.
2. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity shares in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied
   a) The transaction of sale of such equity share is entered into on or after 1st October, 2004;
   b) The transaction is chargeable to such securities transaction tax as explained below:-

   In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act, 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act, 2005).
3. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long-term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
4. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money with in a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.
5. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -
   a) the issue is made by a public company formed and registered in India;
   b) the shares forming part of the issue are offered for subscription to the public;

   There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.
6. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if the shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of investment in shares, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48.

   The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

7. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if the shares are held for a period not exceeding 12 months), arising on transfer of investment in shares listed on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been paid.
8. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible assets as explained in the said section.
9. Subject to compliance of certain conditions laid down in section 32(iia) of the Act, the Company is entitled to additional depreciation on new machinery or plant and installed after 31st March, 2005.
10. Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure of the nature specified in the said section, including the expenditure on the proposed issue by way of amortisation over a period of five years, subject to the stipulated limits.

(B) Benefits available to the Company under Indirect Tax Laws

Customs duty

11. In terms of Notification No.43/2002-CUS dated April 19, 2002, materials imported against advance License for use in the manufacture of export products are exempted from payment of whole of the customs duty, additional duty, safeguard duty and anti-dumping duty.
12. In terms of Notification No.55/2003 -CUS dated April 1, 2003, capital goods and spares imported against EPCG license issued under Export policy are exempted from payment of custom duty, subject to fulfillment of export obligation.
13. Notification No. 52/2003-CUS dated March 31,2003 exempts capital goods, raw materials, consumables, etc. imported for use in Export Oriented Unit from the whole of customs duty and additional duty subject to fulfillment of certain conditions.

Excise duty

14. In terms of Notification No. 22/2003-CE dated March 31, 2003 as amended, issued under Central Excise Tariff, specific raw material, consumables and capital goods etc. procured by 100% Exported Oriented Unit are exempted from payment of duty.
15. In terms of Notification No. 23/2003 -CE dated March 31, 2003, Domestic Tariff Area (DTA) sale made by 100% Exported Oriented Unit as per the permission granted by the concerned development Commissioner under Export Import Policy partially exempted from payment of Excise duty . In case of goods manufactured out of imported material, the exemption is to the extent of 50% of duty payable on like goods if imported into India. In case of goods manufactured wholly from indigenous raw material, excise duty as applicable on the like goods if manufactured in DTA unit in India is applicable.
16. In terms of Notification No.30/2004 CE dt. 09.07.2004, certain specified goods manufactured has been exempted from the whole of excise duty in respect of which credit of duty on inputs has not been taken under the provisions of CENVAT Credit Rules 2002.
17. Under the provisions of Foreign Trade Policy (2004-2005), the Company is entitled for reimbursement of excise duty paid on fuels procured from domestic oil companies as per rate of Drawback notified by DGFT from time to time.

Sales tax

18. Concessions under the State Sales Tax legislations (depending upon the relevant State where the unit is set-up) are available. Further, the Company can claim a reimbursement of the Central Sales Tax paid on its local purchases. Further, export sales made by the Company would not be subject to sales tax. Further, in order to avail the above benefits, the unit will be required to meet prescribed export obligations.

Benefits to the Shareholders of the Company under the Income-Tax Act, 1961:

Resident Shareholders

19. In terms of section 10(32) of the Income-tax Act, any income of minor children, included in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

20. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempted from the tax.

21. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being equity share in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

    a) The transaction of sale of such equity share is entered into on or after 1st October 2004

    b) The transaction is chargeable to such securities transaction tax as explained below:-

    In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act 2005).

22. In terms of section 88E of the 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 rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains

23. Under section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

24. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money with in a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

25. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

    a) the issue is made by a public company formed and registered in India;

    b) the shares forming part of the issue are offered for subscription to the public;

    There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders

26. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to certain conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

27. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48.

    The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

28. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares listed on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been paid.

Non-Resident Indians/Non Residents Shareholders (Other than FIIs and Foreign venture capital investors).

29. In terms of section 10(32) of the Income Tax Act, any income of minor children, included in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

30. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from the tax.

31. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

    a) The transaction of sale of such equity share is entered into on or after 1st October 2004.

    b) The transaction is chargeable to such securities transaction tax as explained below:-

    In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act 2005)

32. In terms of section 88E of the 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 rebate from the amount of income-tax on the 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.

33. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

34. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

    a) the issue is made by a public company formed and registered in India;

    b) the shares forming part of the issue are offered for subscription to the public;

    There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders

35. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to certain conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of

residential house property within a period of three years after the date of transfer.

36. Under Section 112 of the Act and other relevant provisions of the Act, long-term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48.

    The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

37. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:

    a) Under section 115E of the Act, where shares in the company are acquired or subscribed to in convertible Foreign Exchange by a Non-Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge & cess) (without indexation benefit but with protection against foreign exchange fluctuation).

    b) Under provisions of section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets 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.

    c) Under provisions of Section 115G of the Act, Non-Resident Indians are not required to file a return of income under Section 139(1) of the Act, if their only income is income from forex asset investments or long-term capital gains in respect of those assets or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

    d) Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XIIA 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.

38. Provisions of the Act vis-à-vis provisions of the tax treaty: In terms of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to non-resident.

Foreign Institutional Investors (FIIs)

39. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.

40. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:

    a) The transaction of sale of such equity share is entered into on or after 1st October, 2004

    b) The transaction is chargeable to such securities transaction tax as explained below:-

    In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the investor, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller. (0.1% with effect from 1 June, 2005 as per the Finance Act, 2005). The non-delivery based sale transactions are liable to tax @ 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act, 2005).

41. In terms of section 88E of the 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 rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains,

42. The Income by way of short term capital gain or long term capital gains (not covered under section 10 (3) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act,1961.

    a) Short term capital gains -30% (plus applicable surcharge)

    b) Long term capital gains -10% (without cost indexation plus applicable surcharge).

    (Shares held in the Company would be considered as a long term capital asset provided the are held for a period exceeding 12 months).

43. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gain (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

44. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

    a) the issue is made by a public company formed and registered in India;

    b) the shares forming part of the issue are offered for subscription to the public;

    There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

45. Provisions of the Act vis-à-vis provisions of the tax treaty: In terms of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to FIIs.

Venture Capital Companies/Funds

46. In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

Mutual Funds

47. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India Act/ regulation thereunder or Mutual Funds authorized by the Reserve Bank of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.

Benefits to shareholders of the Company under the Wealth Tax Act, 1957

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

Benefits to shareholders of the Company under the Gift Tax Act, 1958.

49. Gift made after 1st October 1998 is not liable for any gift tax, and hence, gift of shares of the company would not be liable for any gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders
3. 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 Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

IV. ABOUT THE COMPANY

IV.1 INDUSTRY OVERVIEW

Introduction

The global textile business dynamics are changing very fast and the industry is becoming more and more competitive. This increasing competition in the global market has also resulted in the quality and selling parameters becoming stiffer.

In view of the increasing competition and rising manufacturing cost of the companies located in developed countries, labor oriented activities like spinning, weaving, processing and garmenting are being shifted from developed countries to the low cost developing countries. Only specialized activities like special fabric manufacturing, specialty processing and fashion oriented garments manufacturing etc., are being carried out by the developed countries. Price conscious buyers/traders in the developed countries are sourcing standard garments, made-ups / household textiles and international quality processed fabric (preferably from single supply source) from low cost countries.

Removal of quotas and its impact on Indian textile and clothing exports

For 40 years, the international trade in textiles and clothing was regulated by special arrangements outside the rules of General Agreement on Tariff and Trade (GATT). The framework of Multi-Fibre Arrangement (MFA) applied to international trade in textiles and clothing for the period 1974 to 1994. MFA imposed restrictions on exports from low-cost Asian textile/garment producers.

Consequent upon the establishment of the World Trade Organisation (WTO) with effect from January 01, 1995, the quantitative restrictions in the bilateral agreements under the MFA were being governed by the Agreement on Textiles and Clothing (ATC) contained in the final Act of the Uruguay Round negotiations.

The ATC was a transitory regime between the MFA and the full integration of textiles and clothing into the multilateral trading system. Four countries carried the MFA restrictions into the ATC (Canada, the EU, Norway and the United States). As per the ATC agreement, the signatory members were to remove all the quantitative restrictions in four phases over a 10-year period.

Integration of textiles and clothing into GATT

Date	Minimum volume integrated (%)	Accumulated volume Integrated (%)	Remaining quota growth rate
01.01.1995	16	16	16
01.01.1998	17	33	25
01.01.2002	18	51	27
01.01.2005	49	100	Full Integration

Source: WTO website www.wto.org

The quota regime in the textile sector as a result now stands completely phased out from the end of 2004. However, it is important to understand that the ATC agreement gave members choice to remove quota of textile and clothing (T&C) categories as per their preference/competence even though the percentage of quotas to be lifted was prescribed. Hence, by default most of the countries/regions lifted quantitative restrictions on categories in which they were strong to fight foreign competition. In doing this the weaker categories were postponed for the final deadline – January 01, 2005. Thus on individual country basis, the T&C categories that go off-quota this time are probably the weakest of the lot.

A discussion Paper “The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing” by Hildegunn Kyvik Nordås (WTO) argues that quotas could also be seen as a tax on exports in the exporting country. An estimate of the equivalent average export tax for India found that it varied between 24 per cent (in 1997) and 40 per cent (in 1999) during the period 1993-99 for exports to the United States and between 14 per cent (in 1994) and 19 per cent (in 1999) for exports to the EU. The Paper further states that India also has a number of domestic distortions that if eliminated would improve the performance of the clothing and textiles sector substantially. Thus, according to a study by the World Bank, the welfare gains to India from the elimination of the ATC quotas would be three times as high if combined with domestic reforms. The discussion Paper uses a Global Trade Analysis Project (GTAP) model to estimate the export tax equivalent of the T&C quotas in the base year (1997). It shows that India has the highest export tax equivalent of quota among all the nations mentioned in the table below.

Export tax equivalent of quotas base year

	USA/Canada (%)		EU (%)	
	Textiles	**Clothing**	**Textiles**	**Clothing**
Bangladesh	15.3	8.1	8.4	7.3
China	20.0	33.0	12.0	15.0
Hongkong, China	1.0	10.0	1.0	5.0
Hungary	6.9	5.0	0.0	0.0
India	**9.8**	**34.2**	**12.0**	**15.2**
Indonesia	8.1	7.8	6.3	6.0
Philippines	6.5	7.8	5.7	6.0
Poland	6.9	5.0	0.0	0.0
Sri Lanka	15.3	8.3	5.5	6.6
Thailand	8.3	13.2	6.4	7.8
Turkey	7.0	4.9	1.5	0.0
Vietnam	6.9	7.1	7.5	7.2
Other Central Europe	6.9	5.0	0.0	0.0

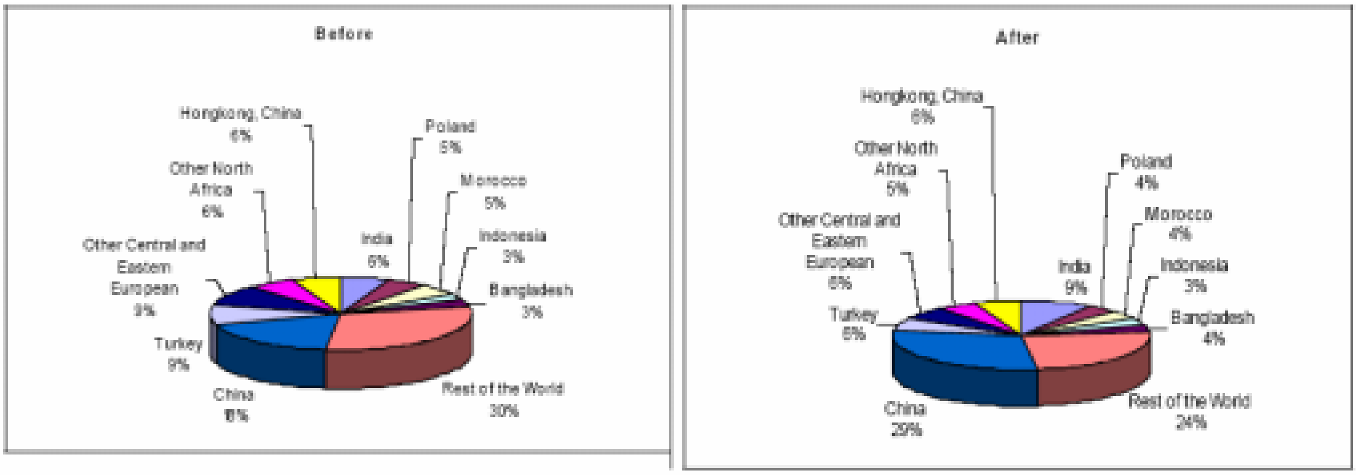
Source: Staff of the WTO Secretariat

It is noticed that in most cases the United States has the most restrictive quotas of the two major importers and that the EU has no quotas on the Central and Eastern European countries. It is also generally the case that the quotas are more restrictive for the clothing sector than for the textile sector, although there are some exceptions such as Bangladesh and the Eastern European countries. By far the most restricted countries were India and China. The expected import share of total domestic demand for textiles and clothing in the United States/Canada and the EU before and after quotas are eliminated is presented in the table below.

	USA/Canada (%)		EU(%)	
Before	20.9	33.8	52.5	48.5
After	21.5	45.0	53.0	51.0

Source: Staff of the WTO Secretariat

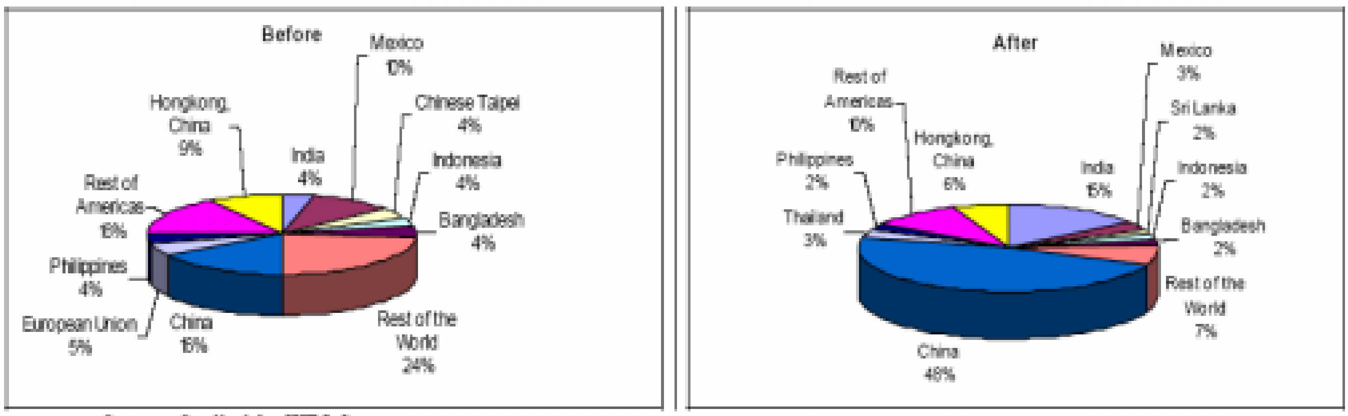
The Paper also estimates the market shares of various countries in the international T&C trade as shown:



Source: Staff of the WTO Secretariat

Both India and China are expected to almost double their market share, and China is estimated to the single largest exporter. All the countries listed in Table above with quotas equivalent to an export tax of more than 5 per cent in absolute value are expected to gain market share, while Africa, the United States/Canada, Turkey, Central and Eastern European countries and richer Asian countries and territories such as Republic of Korea and Chinese Taipei are projected to lose market share.

Market shares before and after quota elimination, clothing, USA



Source: Staff of the WTO Secretariat

In the U.S market, the post-quota impact is much more dramatic. China and India combined are estimated to take 65 per cent of the export market – China is expected to triple its market share while India's market share is seen to quadruple. All others are estimated to lose market share and the largest losses are incurred by African countries and Mexico, whose market shares decline by close to 70 per cent.

The Paper however, also draws a cautionary note. Apparently, the GTAP results are driven by changes in relative prices, rendering the previously restricted low-cost producers more competitive and thus increasing their market share. The limits of such low-cost producers' expansion in the model simulations are production capacity constraints and the fact that increased demand for unskilled labour in textiles and clothing industries raises the wage rate and cost competitiveness is somewhat reduced as a result.

The GTAP model simulations also do not capture the changes in technology and possible increase in the relevance of time and distance as a trade barrier. Therefore the projected decline in the market share of Mexico and the rest of Latin America might be exaggerated in the model simulation. Nevertheless, there is no doubt that India and China will increase their world market share substantially in the textiles and clothing sector following the elimination of quotas as agreed under the ATC.

TEXTILE INDUSTRY IN INDIA

The textiles industry is the second largest industry in India contributing about 20% of the total industrial output and 4% of GDP. About 31.07% of the country's export earning is contributed by textiles and clothing industry. With barely 2-3% import intensity, it is also the highest net foreign exchange earner. It also contributes significantly to the exchequer, about Rs.6000 Crore annually. The industry provides employment to about 38 million persons. In addition, job opportunities are indirectly provided to millions in the cotton farming and processing, stores & accessories and a wide network of marketing of textile and allied products.

The balanced nature of the industry is however, to an extent constrained by the unorganized segment, with rather limited resources dominates over large-scale players. The biased government policies in favour of SSI sector have constantly discouraged large investments and accordingly growth prospects of the industry have also got restricted. This has also made it prone to import competition.

Strengths and weakness of the Indian Textile sector

Strength	Weakness
• Easy availability of raw material i.e. cotton man-made fibre, viscose fabric etc. • World class spinning mills • Integrated operation • Availability of a strong base of skilled and cheap workforce • Huge domestic market that can absorb export shocks • Desire of foreign buyer to not put all their eggs in one basket and use India as an alternative for China Access to finance at subsidized rates and improving infrastructural amenities • Distinct ability to provide with ornate design work	• Fragmented industry • Small size companies lack economies of scale • Low investment in research and development • Poor supply chain causes wastage of resources and increases cost • Regressive government policies • Undue favour to small-scale enterprises discourage large investment plans outdated production solutions • Lack of proper network between the two ends of the textile value addition chain i.e. Fibre and Garments • Stringent labour laws • Absence of a common body to promote industry interest from one platform

Source: Karvy Stock Broking, Industry

Abolition of quantitative restrictions is viewed as a big opportunity and accordingly the government is taking steps to encourage investments in the industry. Textile ministry has set an export target of US$ 50 billion by 2010, which would need a CAGR growth of 25 per cent from the current levels of US$ 13 billion. Share of garments (clothing) in total Textile & clothing exported is expected to increase from US$ 5.8 billion to US$ 25 billion.

Bulk of the growth is expected to come as WTO replaced the MFA with the ATC on January 1, 2005. The global textile and clothing industry is estimated to be worth US$ 395 billion with the clothing accounting for 60% of the market and textiles the balance 40%. The Indian textile industry enjoys a strong presence in global markets for fabrics (India produces about 12% of world cotton and 7% of polyester fibre and 14% of total yarn), however structural restrictions in the form of quotas prevented the industry from moving up the value chain. With the phasing out of the quotas, the industry is expected to expand capacities and move into value-added segments to drive exports. Along with the trend towards outsourcing, India can position itself as the second largest outsourcing destination after China in the textiles sector.

Export of textile and clothing – World and India

(US$ Bn)

	Textiles			Clothing		
	World Exports	**India's Exports**	**India's Share**	**World Exports**	**India's Exports**	**India's Share**
1990	104.35	2.18	2.09%	108.13	2.53	2.34%
1995	151.62	4.36	2.88%	158.34	4.11	2.60%
2000	153.88	5.70	3.71%	196.33	5.48	2.79%
2001	147.17	5.57	3.78%	193.26	5.05	2.61%
2002	158.04	5.89	3.73%	206.38	5.53	2.68%

Source: Compendium of International Textile Statistics, 2004

Over the last decade India's share in the global T&C trade has hardly improved. Even though 51 per cent of the total quotas in the global T&C industry are removed, India's share has remained in the 2-3 per cent band. From 1995 to 2002 India's share in textiles improved from 2.88 per cent to 3.73 per cent and that in clothing increased from 2.6 per cent to 2.68 per cent.

Cotton Yarn

The primary product of the textile industry is spun yarn which is almost entirely manufactured by the organized sector. It is also the raw material for the composite/weaving mills and for the handloom, power loom and hosiery sectors. Thus, an adequate availability of yarn determines the prospect of the textile mills and handloom, power loom and hosiery sectors. The historical trend of cotton yarn production is given below:

(Million Kg)

Year	**1-10's**	**11-20's**	**21-30's**	**31-40's**	**41-60's**	**61-80's**	**80's & Above**	**Total**
1997-98	503	508	427	542	144	52	37	2,213
1998-99	450	489	396	468	131	49	39	2,022
1999-00	509	504	455	524	131	44	37	2,204
2000-01	521	469	479	561	146	52	39	2,267
2001-02	524	439	456	548	147	61	37	2,212
2002-03	459	445	476	533	161	61	42	2177
2003-04	435	403	493	522	161	64	43	2121

Source: Compendium of Textile Statistics, 2004

India's cotton yarn production is mostly in the count range of 1 to 40. The supply of 31's and 40's is highest.

Indian Textile Industry: Exports

The Indian Textile Industry has emerged as a major foreign exchange earner in 2001-02 contributing about 24% of India's total export earnings. Due to its low import intensity, net foreign exchange earnings on exports of textiles/clothing were highest. Following table gives the share of exports of textiles/clothing in the total exports from India:

Share of Exports of Textiles/Clothing from India in Total Exports from India

Year	Textile/Clothing Exports from India (USD Bilion)	Total Exports from India (USD Bilion)	% Share of Textile/Clothing
Exports			
1993-94	5.99	22.24	27.0
1994-95	7.55	26.33	28.7
1995-96	8.53	31.80	26.8
1996-97	9.56	33.11	28.9
1997-98	9.80	32.44	30.2
1998-99	9.55	33.21	28.8
1999-00	10.52	36.87	28.5
2000-01	12.01	44.63	26.9
2001-02	10.80	43.98	24.6
2002-03	12.44	52.87	23.5
2003-04	13.19	63.62	20.7

Source: Compendium of Textile Statistics, 2004

As is evident from the above table, the percentage share of exports of textiles/clothing in the country's total exports of all commodities is between 27-24% since last 9 years. The share of the same in the total exports is declining during the last 2-3 years on account of rising share of the software exports during the same period. The exports have shown a CAGR growth of around 7% during period 1994-2002.

The country's Textile industry has a good potential to increase its share in Global textiles & clothing trade as it starts focusing exports of value added products in large volumes and catering to niche international market.

India supplies 2.8-3% of the world's apparel, a percentage that has remained stable for the last 15 years. It has kept pace with market growth, but has not gained in market share. Even though it exports to over 120 countries, only 14 are significant markets (taking over 1% of exports). Major country wise export of articles of apparel and clothing accessories is given in the table below:

SR NO.	COUNTRY	2000-2001	2001-2002	2002-2003	2003-2004
1	USA	843562.17	696126.50	836174.85	743457.86
2	UK	185303.20	201424.32	192728.58	282010.62
3	U Arab	248727.19	173797.28	249275.64	247243.57 Emts
4	German F Rep	162466.35	172966.25	230406.57	228440.40
5	France	159890.59	161411.02	192472.74	200488.61
6	Canada	107061.82	104199.75	124693.50	110821.34
7	Netherland	72309.30	89885.38	110190.93	103254.00
8	Italy	72876.57	71922.19	82951.43	102466.17

9	Russia	143206.03	158820.46	128345.45	94393.67
10	Saudi Arab	50505.84	54197.57	63158.06	75719.31
11	Spain	36911.90	34359.47	55457.72	70448.09
12	Denmark	24335.78	22192.62	33511.61	43114.58
13	Belgium	32220.20	38416.13	41787.10	41681.88
14	Switzerland	28515.93	25934.06	35021.13	39049.53
15	Japan	52601.02	39618.66	31545.14	35389.91
16	South Africa	19636.42	20453.24	19765.54	29544.69
17	Sweden	19876.24	15965.98	23000.95	26548.84
18	Kuwait	12119.31	14977.30	17016.31	25720.67
19	Mexico	22253.53	24936.78	26439.71	22847.72
20	Malaysia	10418.89	11137.35	18788.74	21039.00
21	Other countries exports of finished garments and accessories have gradually increased from Rs 25479 Cr in 2001 to Rs 28687 Cr in 2004. Exports declined in 2002 to Rs. 23881 Cr on account of slowdown in the major consumer countries especially in US, UK and Japan. However, thereafter it has increased again from FY 2003 onwards on account of revival in the textile industry and reduced exports from China, Singapore etc. due to SARS.				
	Countries	243190.92	255446.20	264400.61	325115.05
	TOTAL	**2547989.20**	**2388188.51**	**2777132.31**	**2868795.51**

Source: compendium of textiles statistics, 2004

As evident from the above table, in 2003-04, around 26 % of all exports (in value terms) went to the USA, 25% to Europe (particularly France, Germany and the UK) and 4% to Canada.

The exports of finished garments and accessories have gradually increased from Rs. 25,479 Cr in 2001 to Rs. 28,687 Cr in 2004. Exports declined in 2002 to Rs. 23,881 Cr on account of slowdown in the major consumer countries especially in US, UK and Japan. However, thereafter it has increased again from FY 2003 onwards on account of revival in the textile industry and reduced exports from China, Singapore etc. due to SARS disease.

Knitted Sector

a) Knitted Fabric Production in India

Knitted fabric production in India grew from 22,588 mn m^2 in 1990 to 44,000 mn m^2 in 2000. As per “Report on World Markets for Knitted Goods: Forecasts to 2005” by Textile Intelligence, the same is expected to grow 50,000 mn m^2 by 2010 as given in the table below:

India: Production of Knitted fabrics And Apparel, 1990-2010

	1990	1995	1997	1998	1999	2000	2010
Knitted fabrics (mn m2) of which:	22,588	28,606	34,813	37,436	40,000	44,000	50,000
Hosiery	2,827	3,748	5,533	6,393	6,500	6,800	9,000
Knitted apparel(mn Pieces)	N/a	N/a	12,372	13,126	13,950	14,846	20,000

As evident from the above table, hosiery accounted for 15% of India's knitted fabric production in 2000. This share is expected to increase to 18% in 2010.

Production of knitted apparel in India amounted to 14,846 mn pieces in 2000. This represented a 6.4% increase over 1999. Further, the knitted apparel CAGR (3.02%) is expected to be higher than that of hosiery CAGR (2.84%).

b) Exports of Knitted Apparel to EU

Indian exports of knitted apparel to the EU have grown more than seven-fold since 1990, reaching 74,600 tons in 2001, as shown in the table below:

India: exports of knitted Apparel to the EU by garment category, 1990-2010 ('000 tons)

	1990	1995	1997	1998	1999	2000	2001	2010
T-Shirts (category 4)	5.2	14.25	14.4	15.7	15.8	15.5	21.8	N/a
Jerseys (category 5)	2.5	6.4	8.7	9.0	11.5	11.9	19.5	N/a
Gloves (category 10)	0.0	0.3	0.4	0.5	0.6	0.8	1.1	N/a
Hosiery (category 12)	0.1	0.8	1.2	1.5	1.6	1.5	1.6	N/ a
Underwear (category 14)	0.0	1.3	2.4	3.9	4.2	5.0	5.4	N/ a
Nightwear (category 24)	1.4	8.6	12.2	12.8	15.4	17.9	17.7	N/a
Trousers (category 28)	0.5	2.3	2.6	2.9	3.4	3.8	4.1	N/a
Accessories (category 67 & 73)	0.2	0.9	1.1	1.3	1.9	2.5	2.7	N/ a
Women's suits (category 74)	0.7	0.1	0.6	0.5	0.5	0.5	0.4	N/a
Total (000 tons)	10.6	35.0	44.0	48.3	55.3	59.7	74.6	100.0
Total (mn pieces)	234.7	404.8	446.2	467.7	491.2	540.8	N/ a	600.0

Source; CIRFS: Eurostat.

T-Shirts were the main export item during 1990s although they have recently lost share to nightwear. Indeed, exports of these items increased by 173% between 1990 and 1995-from 5,200 tons to 14,200 tons. Exports continued to grow, reaching 15,800 tons in 1999, although in 2000 they dipped slightly to 15,500 tons and T-shirts lost share to nightwear. Nightwear exports rose from 1,400 tons in 1990 to a peak of 17,900 tons in 2000, although this increase was followed by a slight dip to 17,700 tons in 2001. In 2001 T-shirts accounted for 29.2% of India's exports of knitted apparel to the EU. Two other major export items were jerseys and nightwear with shares of 26.1% and 23.7% respectively. As per "Report on World Markets for Knitted Goods: Forecasts to 2005" by Textile Intelligence, the exports are expected to grow to 100,000 tons by 2010.

c) Exports of Knitted Apparel to USA

Indian exports of knitted apparel to the US market reached 18,100 tons in 2001 almost double that of 9,900 tons in 1995. (See table below)

India: exports of knitted apparel to the USA by garment category 1995-2010

('000 tons)

	1995	1997	1998	1999	2000	2001	2010
T-shirts	3.1	1.9	1.7	201	2.0	2.3	N/ a
Jerseys	6.3	6.3	9.0	10.8	11.7	13.4	N/ a
Gloves	0.0	0.1	0.1	0.0	0.1	0.1	N/ a
Hosiery	0.1	0.1	0.7	1.2	0.9	0.9	N/ a
Men's underwear and nightwear	0.2	0.7	0.4	0.2	0.2	0.3	N/ a
Women's underwear and nightwear	0.0	0.4	0.2	0.4	0.5	0.5	N/a
Trousers	0.0	0.3	0.2	0.4	0.5	0.5	N/ a
Accessories	0.0	0.0	0.0	0.0	0.0	0.0	N/ a
Tracksuits	0.0	0.0	0.0	0.0	0.0	0.0	N/ a
Women's suits	0.0	0.0	0.0	0.0	0.0	0.0	N/a
Swimwear	0.0	0.0	0.0	0.0	0.0	0.0	N/ a
Total	9.9	9.5	12.2	15.0	15.9	18.1	30.0

Sources: CIRFS: USA Statistical office.

Indeed, in 2001 Jerseys accounted for 74.0% of exports of knitted apparel to the USA-up from 63.6% in 1995. The gain in share achieved by jersey exports was at the expense of T-shirts, whose share fell from 31.3% in 1995 to 12.7% in 2001. Further growth to 30,000 tons, is expected by 2010.

Summary

Globally, the market for knitted goods will continue to grow between now and 2010. But in the developed economies of Western Europe, the USA, and Japan-and, increasingly, in the newly industrialized economies of Taiwan and South Korea-imports of downstream products will grow and have a negative effect on domestic knitters. Indeed, import growth is likely to accelerate in 2005 and beyond after quotas have been eliminated under the Agreement on Textiles and Clothing (ATC).

The growth in imports will cause further declines in domestic production, although actual rates of decline will vary by end use and by fibre type.

Knitters in developed countries will respond by relocating more of their operations to manufacturing centers in low cost countries. Those who choose nearby locations will benefit from market proximity and speed of response, as well as relatively low labour costs.

On the positive side, for producers in advanced economies there are increasing possibilities of growth in the technical and industrial sectors. Such growth would ensure that knitting remains a significant sector of the textile industries in developed countries during the first decade of the 21st century.

Post Quota Scenario

In 2005 and beyond, the global textile industry including knitting industry will be affected significantly by elimination of quotas on textiles and clothing in accordance with the Agreement on Textiles and Clothing (ATC), which is supervised and administered by World Trade Organisation (WTO). This currently restricts exports from the developing countries like India to the developed countries like USA, UK etc.

With the elimination of the said quotas, the competition is likely to get stiffer. Worst affected will be the knitting industries, which currently receives the greatest quota protection-namely those in USA and EU. However, the main beneficiaries of the same will be the efficient developing countries like India as their exports will increase at all the levels in the textile industry.

Although the imports into developed countries from developing nations will still be subject to tariffs, the imports from developing nations will always be competitive on account of the low labor cost which is 10% of the total manufacturing costs as against 50% of the total manufacturing costs in the developed countries.

However India faces a big challenge and competition from China, who enjoys similar benefits as India in the post quota regime. The industry estimates that China bought up nearly 75% of all textile industry capital equipment sold in the international market during 2004 and this includes closed-down mills in the US and the EU.

If urgent steps are not taken to expand capacity, speed up deliveries, improve quality and upgrade technology, China would cut the Indian elephant to size.

Unlike China, preparations in India for the new quota-free regime beginning 2005 have been tardy. New investment started trickling in much closer to the D-Day than it actually should have.

Restrictions on the import of the second-hand equipment lingered on till recently. To add to the tardy preparations, anomalies in the customs and the excise duty structures continue to dog the industry. Utilisation of concessional funds available under the textile upgradation fund has not picked up to the desired levels.

The net result is the dilemma of the Indian textile industry and the apprehensions over arrival of the new international regime that encourages unrestricted competition. The silver lining is the dozens of brave entrepreneurs who have moved ahead with investments to tap the potential of the new opportunities.

The government feels that India could double exports in a couple of years. Big numbers like $50 billion textile exports by 2010 are being talked about. However, considering that India's exports now stand at $12 billion now, there is a long way to go.

There is a dire need to attract more investment into the textile sector, especially the FDI, which also brings in latest technology. Conscious efforts are also needed to move up the value chain from cheap t-shirts and cotton fabrics.

If the right steps are initiated, India can cash in on the situation and create millions of jobs which are badly needed. Otherwise, the country stands to lose out to China, as it happened in the manufacturing boom.

Nonwoven

a) Introduction

Nonwoven fabrics have been around for a long time. However, development of new technologies since the 1950s and 1960s have led to nonwoven fabrics being used in an extraordinary range of products, from diapers and baby wipes to construction materials, protective clothing, and furniture. Initially, nonwoven were thought of as cheap replacements for woven textiles. But, people soon realized that they have other functionality that makes them more versatile than textiles. Innovations in nonwoven technology have led to new products that are driving strong industry growth. According to INDA (the Association of the Nonwoven Fabrics Industry, Cary, North Carolina), in 2003 consumers in the United States and Canada purchased 1.1 million tons (or 24 billion meters) of nonwoven fabric. There was a slowdown in 2001–2002 due to a fall in demand from the commercial construction industry, but the industry has recovered and is returning to its historic growth rate of 5–6% each year.

There are five steps to creating a nonwoven fabric, and different choices made at each step create a wide range of materials. The first is to make (or buy) fibers. Until the 1970s rayon (cellulose) was the most widely used synthetic fiber material. It produces a soft, absorbent fabric that is often used for disposable wipe applications despite its low wet strength. Kimberly-Clark (Dallas, Texas) was the first company to combine polypropylene with rayon for applications that require high absorbency, dimensional stability, and wet strength (such as in diapers, incontinence products, or feminine pads). Polyester fibers are now the most widely used synthetic fibers as they form resilient fabrics. There are many other fiber options including polyethylene, nylon, cotton, and glass fiber (for insulation and filtration applications). The second step is to lay the fibers onto a belt as uniformly as possible. The choices made here determine the porosity and “loft” of the final fabric. The third step is to bond the fibers together. This can be done using a chemical binder. Recent developments in polymer science have provided complex copolymer structures, including cross-linkable materials that can be used as binders to provide strength, flexibility, and dimensional stability. The binder can also be used to introduce flame-retardants and can accept pigments and dyes. In recent years techniques have been developed to bind the fibers without added chemicals—for example using hydro-entanglement or needling, or by partially melting the fibers. The final steps in manufacturing are to finish or coat the fabric, and to "convert" it into its final form. This may include forming a multilayer product from different nonwoven fabrics, or adding liquid to create a wet-wipe.

GFL proposes to use the Spunlace technology for manufacturing of Nonwoven fabrics

b) Comparison of Nonwoven with Woven & Knits

Comparison Criteria	**Nonwoven**	**Woven**	**Knits**
Production Technologies Used	Spun-laced Spun-bonded Spun-melt Melt-blown Carded Wet-laid Air-laid Thermal-bonded Resin-bonded Needle-punched	Shuttle Weaving Shuttleless Weaving: -Gripper Looms -Rapier Looms -Water -jet Looms -Air -jet Looms -Multiphase Looms	Weft knitting -Circular Knit -Flat Knit Warp knitting -Tricot Knit -Simplex Knit -Raschel Knit -Crochet Knit
Production Cycle Time	Lowest	Highest	Lower
Production Speed	Fastest	Slow	Fast
Level of Automation in Production			
Technology	Highest	Lowest	Lower
Cost of Production	Lowest	Highest	Higher
Cost of Input Materials	Cost of input material while using natural fibres, such as cotton, is lower, as much smaller-length staple fibres can be used in Nonwoven manufacturing, which otherwise cannot be used for Yarn making.	Cost of using natural fibres as cotton is higher, as comparatively longer length fibres are required for yarn making, which is Essential for weaving.	Cost of using natural fibres as cotton is higher, as comparatively longer length fibres are required for yarn making, which is Essential for knitting. Knits also generally use more expensive Combed yarn.
Product Features			
Loftiness & Softness	Spunlace nonwoven fabric is quite soft and lofty	Better softness and loftiness	Best softness and loftiness
Bulk Property	Highest	Lowest	Lower
Absorbency	Spunlace nonwoven fabric is highly absorbent	Higher Absorbency	Highest Absorbency

Drapability	Spunlace Nonwoven fabric has reasonably	Better Drapability	Best drapability
Tensile Strength	Lower than wovens	Highest	Lowest
Linting Property	Very Low	Higher	Highest
Comfort	Limited breathability	Higher breathability	Highest breathability
Liquid repellence	Dense fabrics made from spunlace micro denier fibres, have high liquid repellence property	Lower liquid repellence property	Lowest liquid repellence property
Shear Strength	Highest	Lower	Lowest
Suitability as Filtration Medium	Spunlace fabric with open construction, made from microdenier fibre acts as a good filtration medium	Less suitable as filtration medium	Least suitable as a filtration medium
Suitability for Coating	Greater suitability, as higher weighing output can be produced with base fabric similar in weight to a woven/knit base fabric.	Lesser suitability	Lesser suitability

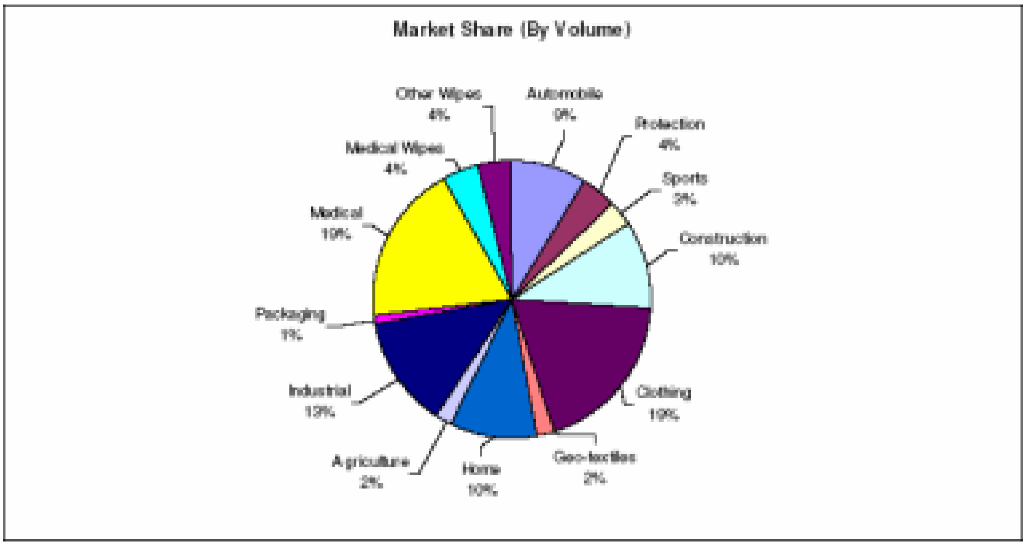
c) Demand-Supply Estimates

Market Share of Nonwovens by Application:

Medical markets remain by far the most important end use for Nonwoven fabrics produced in world, accounting for about 19% of consumption. This excludes wipes used in the medical industry. Wipes are an important application of nonwoven fabrics in home, medical and industrial segments.

Some of the applications of nonwovens are as follows:

- Absorbents
- Industrial applications
- Clothing
- Industrial Filtration
- Medical textiles
- Substrates
- Home furnishing
- Geotextiles



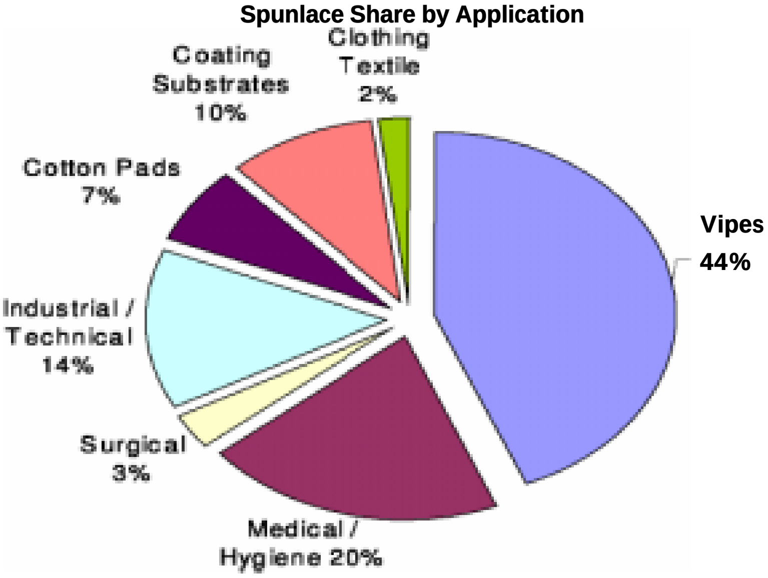
Market estimates for Spunlace Technology Applications

Spunlace is an increasingly important carded technology. While carded technologies have shown considerable growth over the decade from 1991-2001, rising at 5.2% per year, Spunlace has grown by 13%. Spunlace technology accounted for 6% of carded nonwoven production in 1991. By 2001, this technology's share had risen to 12% and is expected to increase to 16% of the carded output by 2006 while carded thermal and resin bonded nonwovens share is expected to decline.

As per KSA research, the Spunlace technology is expanding into many world regions. For e.g. In the last few years atleast 10 production lines were installed in China. Israel also has considerable capacity in place and is actively exporting. In the Latin American region, there are plans for the new installations in Mexico, Argentina and Brazil. However, with the expected volume growth of 11% per year, the market demand is estimated to increase by an average of 34,000 tonnes per year, enough for many more players to pitch in.

Spunlace materials are growing in the medical and home care markets, with products ranging from gauze and bandages to household cleaning wipes. Spunlace fabrics find highest application in wipes (44%), followed by medical hygiene products and industrial/technical uses. The share of various applications of Spunlace nonwovens is depicted in the graph below:

Spunlace Share by Application



Overall Demand & Supply

The global market for non-woven fabrics is estimated at 9.1 billion pounds valued at $13.4 billion in 2004. Rising at an average annual growth rate (AAGR) of 4.8%, this market is expected to reach 11.5 billion pounds by 2009. The developed nations of North America, Western Europe, and Japan currently represent nearly 60% of the total market This is changing, however, as globalization leads to greater manufacturing activity migrating to China and similar nations. These nations are also developing mass consumer markets. Both considerations will lead to greater global demand for non-wovens.

North America still represents an important market for nonwovens. The use of nonwovens, especially in filtration, wipes, home furnishings, building and construction, agricultural fabrics, floor covering, and miscellaneous disposables will be the growth markets. Growth in the wipes and adult incontinence markets has been high in recent years. Strategic development will target higher value-added application segments although still more room for growth will be achieved by product substitution of traditional materials by nonwovens. Other North American segments will witness slow or even declining growth.

Globally, barriers to entry are moderate and entry into the nonwoven fabric business is still possible. Companies generally have ready and equal access to the necessary production equipment and related technologies, which can be obtained through licensing agreements. Basically specialized operations, extensive vertical integration can be important, and many suppliers reflect forward integration from fiber supply into fabrics supply. In other cases, nonwoven fabric producers have diversified downstream into converted and finished products. Of importance is a technical base. New product development, marketing, and technical servicing are also keys to success in this industry. Most nonwoven fabric companies have adopted either a strategy of product differentiation via unique technology (e.g., spinbonding) or a strategy of focus (market segmentation) that is usually based on a product type (e.g., geotextiles) basis. Product differentiation has also been achieved via corporate image.

Nonwoven Materials and Products Outlook

	2000	2001	2002	2003	2004	2009	AAGR % 2004-2009
North American Market	1,984	1,961	1,977	1,932	2,015	2,340	3.0
Global Market	7,456	7,925	8,298	8,617	9,111	11,515	4.8
% North American	26.6	24.7	23.8	22.4	22.1	20.3	
World population (millions)	6,079	6,154	6,229	6,302	6,376	6,740	1.1
Pounds/capita	1.2	1.3	1.3	1.4	1.4	1.7	

A spate of new product introductions and an increasingly segmented market will continue to drive demand for consumer wipes through 2009. Convenience and innovation will remain driving forces, with companies competing to introduce new products that open or create entirely new market sectors ahead of their competitors. Emerging markets with double-digit annual growth prospects through 2009 include medicated, general purpose bathing, facial cleansing, general purpose disinfectant, floor care, pet care, automotive, and small-volume personal care wipes such as selftanning, suncare, and body refresher types. Though baby wipes will continue to dominate the overall wipes market, demand for these products will decline through 2009 due to market maturity and continued replacement by other wipes in non-diaper change applications.

Following the lead of the consumer market, new product innovations and expanding applications will drive demand for wipes in the industrial market. Manufacturing and health care will remain the largest market sectors through 2009, with special purpose products such as clean room and surface preparation wipes projected for the fastest growth. Wipes in foodservice applications will also experience rapid gains due to heightened concerns regarding foodborne illnesses.

Outlook:

The global nonwovens industry has undergone some significant structural changes and the industry has been facing a difficult operating environment in recent years. Conditions appear to have reached a trough and a better environment is expected to emerge, although price wars resulted in a loss of pricing power. The poor business environment of the last several years placed pressure on margins, forcing a number of inefficient producers into bankruptcy and leaving most of the rest operating at very low levels. Inventories are lean, however, suggesting that a pick-up in demand will quickly result in a larger volume of orders. Finally, a sustained global economic recovery is now morphing into an expansion. Pricing power has begun to return but industry consolidation will continue.

Domestic Industry Scenario:

Nonwoven Fabrics production in India is still in its infancy. There are currently no Spunlace plants in India and GFL will be the pioneer in the Indian Industry. About 10-12 nonwoven lines, primarily using Needle punch technology and Chemical bonding technology were installed in the country during the last 10-15 years. Some of these were catering to the internal demand of companies making products based on nonwoven fabrics. However most of them have not been able to garner much profit primarily due to the following:

- Many of these units had old outdated machinery, bought second hand from other units across the world that were upgrading themselves. These machines were much slower and the cost of production was hence much higher. Also the quality of the output was inferior to products made on the modern machines. Thus these companies were not able to compete on product quality and price with international producers. Most of these units were typically producing 4-5 tons per day and hence were not sized economically further increasing operating costs.
- Most manufacturers in India were late starters and faltered by installing older needle punching technology, which was already in its maturity/decline state. This technology was left behind by new technologies like Spun bond and Spunlace and hence the market for Needle Punched products shrank.
- Non wovens have been a rather research and development oriented field and technical know how to make these fabrics in the most efficient manner, until the last decade was guarded closely by large global companies who profited by the same. Indian companies, with low R&D budgets and with limited technical know how were hence not able to make world-class fabrics and generate profits in this segment.
- Lack of substantial domestic demand also challenged the growth of an industry cluster.

India is advantageous in terms of raw material prices, which contributes 70% to the final cost of Spunlace production. This advantage in raw material cost translates to a cost advantage in the final product thus giving an edge to Indian exports. Additionally high duty rates limit imports and leave the market open for domestic manufacturers.

	Polyester Based Products	Viscose Based Products
Domestic Competitiveness	20-40% cheaper than imports	30-40% cheaper than imports
Export Competitiveness	At par with rest of the world	10% cheaper than Chinese and European mfg

The demand for Spunlace fabrics worldwide is increasing due to usage in newer applications and further penetration in existing applications. With the course of time KSA expects India to also join the rest of Asian countries in production and export of Spunlace Non Wovens. The demand in export will grow radically if quality products can be produced.

The domestic market will also pick up, however in a much slower fashion. The total market size in the three applications as mentioned earlier i.e. wipes, medical applications and substrates is USD 273 Mn consuming an estimated 80,000 Tonnes of fabric. This presents a vast potential market which can be captured by Spunlace nonwovens by eating into the share of Woven, Knit and Non Woven products either imported or domestically manufactured using Spun bond, Thermal bond and Needle punch technologies.

Large opportunity exists in catering to the industrial segment in medical, PU/ PVC substrate and wipes applications. The industrial sector will be price sensitive and GFL will have to address to the price parameters well, to cater to the Indian market. In the consumer segment, GFL can tap the wet wipes segment, which is a high growth area along with household wipes. Here also price will be the most important penetration parameter. Large opportunities also exist for import substitution in the domestic market.

As per KSA research many of the Indian manufacturers, who in past used Non Woven but stopped developments due to quality issues are willing to try again if they get better products from within the country.

Overall as per the research done by KSA, there exists a large potential in exports and in catalyzing and capturing the hitherto latent demand in the domestic market.

Key Government Initiatives to Promote growth of the Indian Textile Industry

In order to encourage upgradation of textiles sector and to give a fillip to exports of textile products, some of the important initiatives taken are as follows *(Source: Ministry of Textile Annual report 2003-04)*:

(i) *Announcement of New Textile Policy*: One of the main objectives of the New Textile Policy (NTxP-2000) announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel exports from the present level to US $ 50 billion by 2010, of which the share of garments will be US $ 25 billion. Subsequent to the announcement of NTxP-2000, woven segment of readymade garment sector has been de-reserved from SSI and the announcement has been made for de-reservation of knitwear from SSI.

(ii) *Technology Up-gradation Fund Scheme (TUFS)*: In view of the urgent need for stepping up the process of modernization been prescribed and this scheme remained under operation.

The latest Budget also provides for capital subsidy of 10% for investments in processing (over and above 5% TUF benefit). The Budget also announced enhanced allocation of Rs.440 crore on TUF.

(iii) *Duty Exemption Pass Book (DEPB) Scheme*: DEPB credit rates have been prescribed for 82 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized.

However, these export incentives are to be reviewed shortly to make it WTO-compatible.

(iv) *Duty Drawback Scheme*: The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market.

From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

(v) *Human Resource Development*: Attention has also been paid to Human Resource Development in the textile sector. Towards this end, particular mention deserves to be made of National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry. The NIFT has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar.

The Ministry of Textiles is also concerned over the need to improve the quality of textile training institutes in the country. Therefore, a Nodal Centre for Upgradation of Textile Education has been established at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The Apparel Export Promotion Council has been running Apparel Training and Design Centres (ATDCs) at important apparel centres located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur and Bangalore in order to impart training at shop floor level to meet the growing needs of apparel industry.

(vi) *Construction of Apparel International Mart*: Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government. For this purpose a grant of Rs. 15 crore was released during the year 2001-02 and of Rs.30 crore has been released during the year 2003-04.

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

(viii) *Apparel Park for Exports Scheme*: A centrally sponsored scheme titled “Apparel Parks for Exports Scheme” has been launched. The scheme is intended to impart focussed thrust to setting up of apparel Manufacturing units of international standards at potential growth centres and to give fillip to exports. Since the inception of scheme in March 2002, eleven Project Proposals has been sanctioned for setting up Apparel Parks at Tronica City & Kanpur (U.P.), Surat (Gujarat), Thiruvananthapuram (Kerala), Visakhapatnam (Andhra Pradesh), Ludhiana (Punjab), Bangalore (Karnataka), Tirupur & Kanchipuram (Tamil Nadu), SEZ, Indore (Madhya Pradesh) and Mahal (Jaipur, Rajasthan).

(ix) *Textile Centres Infrastructure Development Scheme (TCIDS):* Development of infrastructure facilities at predominantly textile/apparel sector areas is one of the thrust areas of NTxP-2000. For attaining this objective, a new scheme (TCIDS) has been launched for upgrading infrastructure facilities at important textile centers.

IV.2 OUR BUSINESS

INTRODUCTION

In 1990, Ginni Filaments Ltd. (GFL) located in Tehsil Chhata, Distt. Mathura, Uttar Pradesh was commissioned to produce ultrafine-combed cotton yarn. As an 100% export oriented unit the Company was geared to produce products of global quality standards. The Company installed state-of-the-art plant & machinery from the world-renowned machinery manufacturers' viz. Rieter, Schlafhorst, Volkmann etc.

In January 1998, GFL embarked upon an expansion project to make Open End Yarn. It imported fully automatic state-of-the-art machinery from Rieter, Switzerland; to produce 4000 tons p.a. of Open End Yarn in the count range of Ne 6 to Ne 20.

The Company also graduated into knit fabrics and installed 26 knitting machines from M/s. Terrot and Mayer & Cie, Germany to produce Single Jersey, Interlock, Rib, Terry and Lycra fabrics. Since April 2005, GFL has expanded into processed knitted fabrics. The complete machinery has been imported from Thies, Germany and Santex, Switzerland.

The Company obtained the IS/ISO 9001:2000 certification in 1997 and has been recognised as an Export House by the Govt. of India.

The Company now proposes to expand the present spinning capacity, integrate vertically by setting up a garments unit and diversify into technical textiles viz. Nonwoven fabrics.

Its present activities can broadly be classified as:

1. Spinning (Production of Yarn)
2. Knitting (Production of Grey i.e. Undyed Knit Fabrics)
3. Dyeing & Processing of Knit Fabrics

The proposed activities are:

1. Expansion of Spinning capacity
2. Manufacturing of Nonwoven fabrics
3. Setting up of a Garments Manufacturing Unit

1. MANUFACTURING LOCATIONS

Existing plants:

The Company has two Units, which are located at Chhata, District Mathura, Uttar Pradesh. Unit I is for spinning and knitting under EOU Scheme and Unit II is for knitting and dyeing & processing of knit fabrics under EPCG Scheme.

Proposed plants:

1a. De-bottlenecking of existing open-end spinning capacity at Chhata, Uttar Pradesh. This is being set up in Unit I at the existing location.

1b. Expansion of Ring Spinning capacity at GIDC, Panoli, District Bharuch, Gujarat.

2. Nonwoven Fabrics Unit at GIDC, Panoli, District Bharuch, Gujarat.
3. Garments Unit at Faridabad, Haryana.

2. MACHINERY, TECHNOLOGY AND PROCESS

a) Existing Spinning and Knitting Unit I:

The various machinery at the existing facilities of the Company are:

Operation	Make of the Equipment
Blow room	Unifloc, Uniclean, Fine Clearer - Rieter, Switzerland
	Contamination Sorter - Barco, Belgium
Card	C4, C10, C50, C51 – Rieter, Switzerland / Lakshmi Machine Works
Combing preparation	Draw Frame SB-2 and Unilap E-30 alongwith combination for fine counts – Rieter, Switzerland.
	Sliver lap and Ribbon lap from LMW
Combers	E-60 Combers – Rieter, Switzerland.
Draw frame	RSB851 and RSB951 – Rieter, Switzerland.
Speed frame	LF 1400, LF1400A & LF 1465 – LMW, India.
Ring frame	LR-6 – LMW, India.
Two-For-One Twisting Machine	VTS-09 – Volkman, Germany
Open End Machine	R-1 – Rieter, Germany
Power plant	100 % Captive power generation through Warstsila D.G. set imported from Finland with a total capacity of 12 MW.
Knitting machines	12 Nos. of Knitting machines from among M/s. Terrot, Germany; Laxmi Terrot, India; Mayer and Cie, Germany; Camber, U.K.
Singeing machines	M/s. SSM Switzerland.
Dyeing machines	State of the art high temperature high pressure soft flow dyeing machine model ECO-MASTER, Thies, Germany.
Finishing machine	State of the art finishing range both open width line and tubular line -Santex, Switzerland.
Quality Control and Spinning	BALE INVENTORY AND ANALYSYS SYSTEM: unique software to control inventory and issuing of cotton bales to have a consistent day to day mixing
Others	STARFISH
	A special software package that helps to optimise yarn processing and select knitting machines to achieve the desired final product specifications.

A. Debottlenecking of the Existing Unit I

Sl. No.	Product	Present Capacity		Proposed Increase		Total Capacity	
		No.	Prod. Qty/day	No.	Prod. Qty/day	No.	Prod. Qty/day
1	Cotton Yarn (Open End Spinning)	960 Rotors	10 MT	720 Rotors	7.2 MT	1680 Rotors	17.2 MT
2	Knitting Machine	27	9MT	—	—	27	9 MT

B. Capacity Expansion of Ring Spinning to be installed at Panoli, Gujarat

Sl. No.	Product	Present Capacity at Chhata (UP)		Proposed Increase at Panoli		Total Capacity	
		No.	Prod. Qty/day	No.	Prod. Qty/day	No.	Prod. Qty/day
1	Cotton Yarn (Ring Spinning)	54432 Spindles	33 MT	16800 Spindles	9.35 MT	71232 Spindles	42.35 MT

Status of Orders of Plant & Machinery for debottlenecking of existing unit at Chhata and expansion of Ring Spinning at Panoli as on 15th November, 2005

Major machinery selected for expansion of the spinning capacity is the same as the ones, which the Company is presently operating on.

(A) Imported Machines / Equipments.

S No.	Description of the Machinery	No. of Machines	Name of Suppliers	Date of placing order/Date of offer	Date of expected Delivery	Total Cost in Foreign Currency	Exchange Rate	Equivalent Cost (Rs. In Lacs)	Other Expenditure @4% approx. (incl. Clearing, installation, inward freight etc. (Rs. In Lacs)	Total Landed Cost **(Rs. In Lacs)**
1.	Blow Rooms, Cards Draw frames Unilap, Comber etc.		Rieter Machine works Ltd. Switzerland	Proforma Invoice No.16040542 dtd. 17.01.05	March, 06	CHF 35,00,000	36.50	1277.50	51.30	1328.80
2.	Open End Spinning Machine Autoconers	2 5	Schlafhorst , Germany	Proforma Invoice No. 000028596 dtd. 07.01.05	March, 06	EURO 20,00,000	55.00	1100.00	44.20	1144.20

(B) Indigenous Plant & Machinery / Equipments

S No.	Description of the Machinery	No. of Machines	Name of Suppliers	Date of placing order/Date of offer	Date of expected Delivery	Total Cost of Machine (Rs. In Lacs)	Other Expenditures @8% approx. (Including 4% VAT, erection & freight) ((Rs. In Lacs)	Total Landed Cost **(Rs. In Lacs)**
1.	Ring Frames *	14	Kirloskar Toyoda Textiles Machinery Pvt. Ltd.	Order No. GFLVPMKTG Dt. 28.06.05	April'06 to June' 06	535.92	42.87	578.79

* Order for attachments to be placed at an estimated value of Rs. 425.49 lacs

b) Existing Unit II: Knitting and Dyeing & Processing:

The various machinery at the existing facilities of the Company are:

Name of the Machinery	Make
Knitting Machines	15 from among M/s. Terrot, Germany; Laxmi Terrot, India; Mayer and Cie, Germany; Camber, U.K.
Dyeing Machine	Thies, Germany
Finishing Machine	
a) Roll reversing	SK Global
b) O.W./Squeezer/cutting	Santex, Switzerland
c) Tubular hydroextractor	Santex, Switzerland
d) Tubular compactor	Santex, Switzerland
e) O/W Compactor	Santex, Switzerland
f) Relex Dryer	Santex, Switzerland
g) Stenter	Santex, Switzerland
Lab Equipments	James Heal
Colour Machine system	Datacolour

The dyeing machines have been selected from Thies because they take shorter dyeing time due to the heat recovery system. Also, Santex is one of the best suppliers of Finishing Equipments. All machines are computer controlled and have the capability of automatic adjustment to give the desired results on the fabric.

c) Nonwoven Plant

Considering the market size and available plant sizes, the Company proposes to install a plant with manufacturing capacity of 12000 MT per annum. The Company proposes to use the Spunlace Fabric Technology. The machinery has been finalised for manufacture of Nonwoven Fabric of 3.2 mtrs width.

M/s Rieter Perfojet, France would supply the main Plant along with the Blow Room, Card, Aquajet, Dryer, Winder, Slitter, Water Filtration Plant etc. Further, Rieter also will provide after sales service in India through their subsidiary Rieter India Ltd.

Detail of Major imported / indigenous Plant & Machinery as on 15th November, 2005

(A) Imported Machines / Equipments.

S No.	Description of the Machinery	No. of Machines	Name of Suppliers	Date of placing order/Date of offer	Date of expected Delivery	Total Cost in Foreign Currency	Exchange Rate	Equivalent Cost (Rs. In Lacs)	Other Expenditure @9% approx. (incl. 5% Custom Duty, Clearing, Erection & Freight) (Rs. In Lacs)	Total Landed Cost **(Rs. In Lacs)**
1.	Main Plant of spunlace Nonwoven Fabric	1	Rieter Machine works Ltd. Switzerland	Contract No. Gin 100 dtd. 17th March, 2005	April, 2006	EURO 1,35,57,500	55.00	7456.63	680.36	8136.99
2.	Humidification Plant	1	Canalair, Italy	CA02472F dtd. 14.04.2005	July, 2006	EURO 1,70,000	55.00	8.42	93.50	101.92
3.	Gas Gen Sets *	4	Deutz Asia Pecific (pte) Ltd., Singapore	GFL:MG:VPS: DEUTZ: 3:05-06 dtd. 26.10.2005	April, 2006	EURO 11,90,000	55.00	654.50	58.91	713.41

***** One out of these Gen Sets will be utilised for power consumption for Spinning Project at Panoli, Gujarat.

(B) Indigenous Plant & Machinery / Equipments

S No.	Description of the Machinery	No. of Machines	Name of Suppliers	Date of placing order/Date of offer	Date of expected Delivery	Total Cost of Machine (Rs. In Lacs)	Other Expenditures (8% Including 4% VAT, (Rs. In Lacs)	Total Landed Cost **(Rs. In Lacs)**
1.	Auxiliaries for Gen Sets	4	Green Power Pvt. Ltd.,	GFL:MG: VPS: DEUTZ1: 05-06 dtd. 26.10.2005	June, 2006	200.00	16.00	216.00

The scope of the contract with Rieter includes supply of machines, design of plant layout, technical documentation as well as assistance and supervision of erection, commissioning of machines for production of Spunlace Nonwoven Fabric and training of technicians.

d) Garments Plant

The Company proposes to install a plant with manufacturing capacity of 15000 pieces of garments per day i.e. 5250000 garments per annum. The Company has selected Yamato, Japan as the supplier of stitching machines, which is considered to be one of the top brands available at reasonable price. The preparatory machines would be from Gerber, U.S.A, a widely used and renowned brand. Since delivery of the machinery is available at a short notice, orders will be placed at the appropriate time.

Status of Orders of Plant & Machinery as on 15th November, 2005

(A) Imported Machines / Equipments

S No.	Description of the Machinery	No. of Machines	Name of Suppliers	Date of placing order/Date of offer	Date of expected Delivery	Total Cost in Foreign Currency	Exchange Rate	Equivalent Cost (Rs. In Lacs)	Other Expenditure (including 5% Custom Duty, Clearing, Erection & Freight) (Rs. In Lacs)	Total Landed Cost **(Rs. In Lacs)**
1.	Chainstitch overedging Machine Complete with standard accessories	33	Yamato (Hongkong) Co. Ltd., Hongkong	Proforma Invoice No. F/DEL/ 10840 dtd. 25.02.05	March' 2006	US$ 35310	43.75	15.45	7.99	23.44
2.	Chainstitch overedging Machine With back latch complete with standard accessories	10	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 49000	43.75	21.44	3.93	25.37
3.	Three needle chainstitch machine complete with standard accessories	15	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 43200	43.75	18.90	4.70	23.60
4.	Three needle chainstitch machine complete with standard accessories	5	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 19750	43.75	8.64	1.78	10.42
5.	Three needle chainstitch machine complete with standard accessories	3	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 13620	43.75	5.96	1.14	7.10
6.	Four needle flat seamer machine complete with standard accessories	3	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 18900	43.75	8.27	1.35	9.62
7.	Chainstitch overedging machine complete with standard accessories	3	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 18900	43.75	8.27	1.35	9.62

8.	Three needle chainstitch machine complete with standard accessories	5	Yamato (Hongkong) Co. Ltd., Hongkong	——do——	March' 2006	US$ 19250	43.75	8.42	1.76	10.18
9.	Gerber accumark advance edition pattern maker grader and marketing machine with complete accessories	1	Gerber Technology Inc. USA	Proforma invoice No. F/DEL/0685 Dtd. 25.02.05	March' 2006	US$ 17900	43.75	7.83	0.91	8.74
10.	Gerber synchron 101 automatic fabric spreading machine with complete accessories	1	Yamato (Hongkong) Co. Ltd., Hongkong	Proforma invoice No. F/DEL/0685 Dtd. 25.02.05	March' 2006	US$ 50000	43.75	21.87	2.17	24.04
11.	AIR cushion spreading tables	1	Yamato (Hongkong) Co. Ltd., Hongkong	Proforma invoice No. F/DEL/0685 Dtd. 25.02.05	March' 2006	US$ 13500	43.75	5.91	0.73	6.64
12.	Gerber CNC cloth cutting machine with complete accessories	1	Yamato (Hongkong) Co. Ltd., Hongkong	Proforma invoice No. F/DEL/0685 Dtd. 25.02.05	March' 2006	US$ 200000	43.75	87.50	8.10	95.60
	TOTAL	**81**				**US$** 499330		218.46	35.91	254.37

3. QUALITY ASSURANCE AND PROCESS CONTROL

The Company has a well-equipped R&D at the production centres with well qualified and dedicated Technical team concentrating and maintaining various systems to maintain consistent Quality Output. A brief description of various equipments installed is as follows:

(A) Zwelleger Uster, Switzerland, one of the renowned manufacturers of textile testing instrument is the supplier of the following instruments:-

- UT-3: For testing of Unevenness, Imperfections and Hairiness of yarn, Roving and Sliver.
- UTR-3: For testing of yarn strength/ RKM, Elongation with a traverse speed of 5000mm per minute.
- Classimat: For detection of infrequent type of faults, present in yarn like long thick place, thin places etc so that reason for their presence shall be taken care and attacked.
- HVI: Fiber Testing Instrument for Span Length, Uniformity, Strength, Micronair and Colour grade of cotton.
- AFIS: Heart of process control for evaluation of Neps, Maturity, Short Fiber and length.

(B) On Line Monitoring of the following parameters is conducted during the manufacturing process in Unit I:

- Monitoring and control of Evenness CV % of Draw Frame is regulated. M/c is stopped if variation is beyond the set limit.

- Yarn CV%, Imperfection, Classimat, Individual Spindle quality assessment through Quantum Clearer in Autoconer and removal of contamination beyond set visibility limits. Rouge winder positions producing inferior quality are blocked so that such inferior packages shall be segregated.
- Open End Yarn CV%, Imperfection, Classimat, Individual Spindle quality assessment through Uster Poly Guard yarn clearer on Open End M/c. Production of positions is blocked containing higher number of faults beyond set limits.
- CAY - Computer Aided Yarn clearing helps to optimize the clearing curve as per quality requirement. With the help of this system unwanted clearer cuts for objectionable and contamination faults are avoided.
- On Line Q-PACK System installed in Autoconer helps in maintaining right desirable quality only in the finished packages, as control limits are put and yarn is monitored continuously for all the quality parameters.

4. MANUFACTURING PROCESS

a) Spinning

GFL uses two different technologies for its spinning operations, namely:

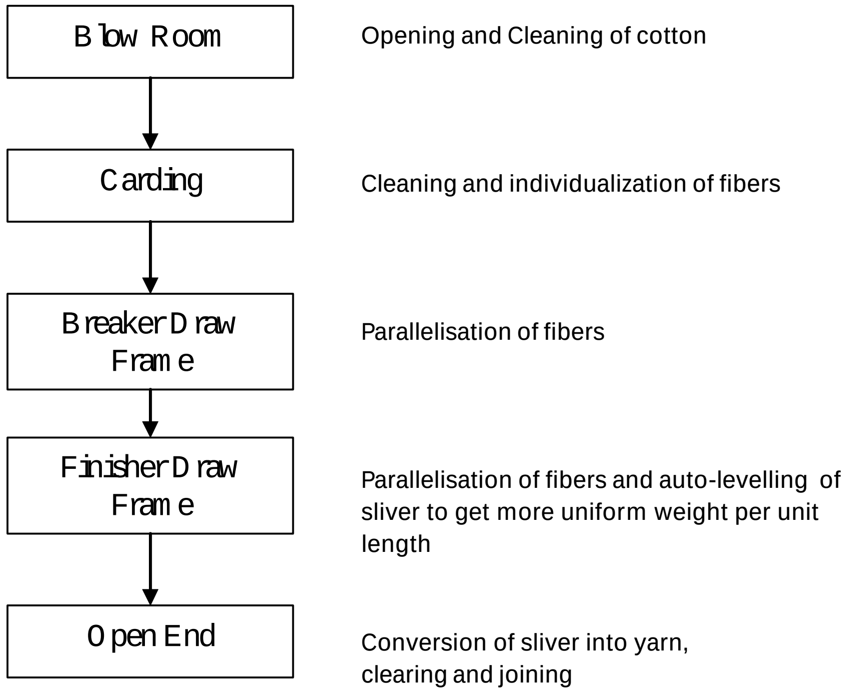
- Open End Rotor Spinning
- Ring Spinning

The proposed capacity expansion will be carried out on both the technologies.

Open End Rotor Spinning

Cotton is received in bales. These are opened manually as well as through machines. Cotton comes in different varieties and the same are mixed based on the quality, type and application of the yarn required to be produced. Mixing is done using blending machines. The blended cotton is fed into the Blow Room machine. This machine opens the cotton by use of air pressure resulting into all trash getting separated in the form of droppings. The clean cotton is automatically transferred to Carding machines through the chute feed system. Carding machine further purifies the cotton by removing any left-over impurities as well as orient the fiber to make sliver from the cotton. Sliver is like a strand of cotton. The sliver is taken to Draw Frames, which is essentially used for drawing and doubling of sliver to reduce mass per unit length variation of this sliver. This prepared sliver is taken to the Open End Machines for making the yarn. The speed of the rotors is regulated based on the count of yarn to be produced generally the finer the count, higher the speed.

The process flow diagram for open end spinning is as below:

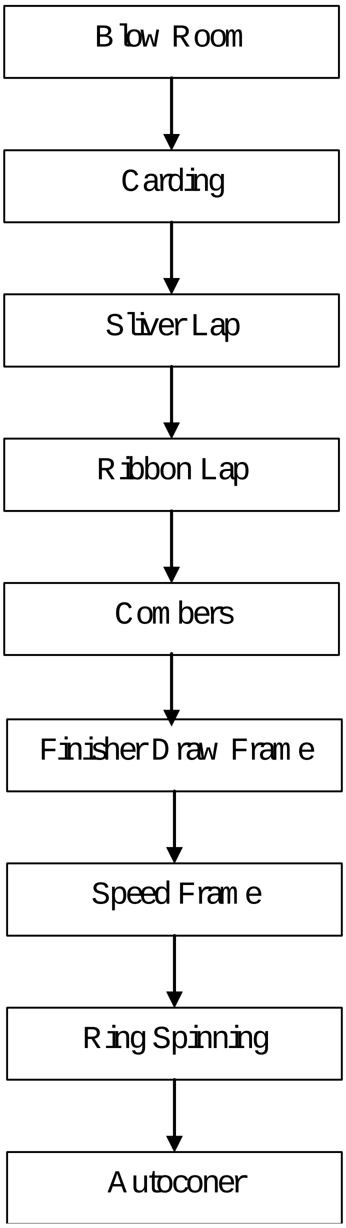


Ring Spinning

Ring spinning is normally favoured for finer counts of yarn. The production process initially is similar to the one for Open End Spinning up to draw frame stage. Cotton is received in bales. These are opened manually as well as through machines. Cotton comes in different varieties and the same are mixed based on the quality, type and application of the yarn required to be produced. Mixing is done using blending machines. The blended cotton is fed into the Blow Room machine. This machine opens the cotton by use of air pressure resulting into all trash getting separated in the form of droppings. The clean cotton is automatically transferred to Carding machines. Carding machine further purifies by removing any left-over impurities and makes sliver from the cotton. The sliver is taken to Draw Frames, which is essentially used for drawing and doubling of sliver to reduce variation in mass per unit length of this sliver. The sliver is then taken to another machine that makes sliver lap by bringing together several slivers to form a bedding of sliver. This is called Sliver Lap. The Sliver Lap is further processed on Ribbon Lap machine, which is finally fed to the combing machine to produce combed sliver (if combed yarn is required to be produced). The combing machine is used to separate all cotton fibers that are shorter than the desired length. It holds the lap at one end and then literally combs through a fixed distance of fiber fringe. Those fibers that are shorter than this fixed length get dropped and the lap having the remaining fibers of the desired length is accepted. The process is repeated for the entire length of the lap. The combed sliver is taken to a draw frame again so that the sliver could be made of the requisite fineness, which is determined by the count of the yarn required to be produced. This is called the Finisher Draw Frame. The drawn sliver is taken to the Speed Frame to produce Roving. Since the final output of the yarn on Ring Spinning machine would be of finer counts, it is necessary to literally spin the yarn by increasing the fineness of the sliver (which naturally increases the length) before it can be taken for final spinning. This action is performed by Speed Frame. We can also call it as a preparation for the final spinning into a fine count of yarn that will be done on Ring Frames. Roving produced on Speed Frame is taken to Ring Frames for spinning into yarn of the requisite count.

Winding and Doubling: Once the yarn is produced at Ring Frame, it is taken to Autoconers for winding and making a cone after clearing it through optical sensors. After winding it goes for inspection and packing, some of the yarn goes for doubling.

Doubling, as the name suggests means, plying of two yarns. This results in improvement of yarn uniformity and strength as well as reduction in yarn hairiness. For doubling the yarn, a parallel winding of the yarn is done on parallel winder and the same is then fed into Two-for-One-Twister (TFO). While a normal Ring Doubler would just ply the two yarns together, a TFO, imparts two turns in yarn for every one rotation of the spindle, thus increasing the production. Further, the package prepared on TFO has uniform package density, which helps during warping, knitting and weaving. Thus doubling adds value to the yarn.



Opening & Cleaning of cotton

Cleaning & individualization of fibers

Parallelisation of fibers

Parallelisation of fibers

Removal of short fibers and impurities

Parallelisation of fibers with auto levelling

Preparation of roving from sliver for easy transformation into yarn

Drafting of roving and twisting to make yarn

Conversion of smaller ring packages into bigger package by winding

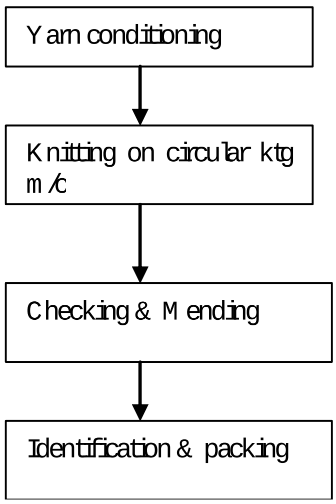
Laboratory: The yarn produced by either method of spinning is checked for its quality using various laboratory equipment that test the quality, strength and consistency of yarn. For measurement of fiber characteristics, prominent instruments like Fiber Strength Tester, AFIS, Fiber Fineness and Fiber Length Tester (Spinlab make), Graf make Cotton Stickiness Tester, etc. are installed. For measuring yarn characteristics, various instruments like Uster Evenness Tester UT-3, Tensorapid Single Yarn Strength Tester, Zweigle Yarn Friction Tester and Yarn Hairiness Tester, Foreign matter testing machine, etc.

Maintenance Workshop: The equipment being imported also includes a complete spinning mill workshop containing equipment like flat grinding machine, flat mounting machine, card wire mounting machine, cot mounting and cot grinding machine, rotor washing machine, etc. This would take care of all requirements for maintenance of the equipment during operation.

b) Knitting

In knitting, interlacement of Loops takes place on modern high-speed circular weft knitting machine. A set of number of needles continuously form the loop which gets interlaced with the loops of adjacent yarn. In this fashion, multiple yarn feeders installed on machine produces the fabric continuously with high production. For knitting, softer twist waxed yarns are used so the fabric produced out of this contains adequate softness and has better absorption properties.

Circular fabrics taken out in the form of a roll is exposed to moisture so that fabric gets relaxed and maintains adequate moisture desired by input fiber material (If fiber is hydrophilic). The fabric so prepared is checked for knitting and other faults. The fabric is suitably mended in case any flaw is detected. Process flow chart for knitting is given below:



c) Dyeing & Processing

Proposed dying and finishing unit set up by GFL is vertically integrated unit for the knit fabrics for cotton, cotton/lycra, and synthetic fabrics. Also, in order to maximise revenue, the Company proposes to undertake jobwork i.e. processing of grey fabric supplied by other manufacturers.

In the unit, fabric is received from the knitting department in greige form.

Fabric from the greige stage is segregated for type of finishing as required.

After the segregation, fabric is taken for lot making which depends upon the colour and the size of the dying machine.

After dying, fabric is in the wet stage and is taken up for further finishing according to the quality of the fabric as indicated in the following process flow chart

Process Flow (Tubular Cotton)

Reversing
|
Lot Making
|
Dyeing
|
Tubular Hydrosctractor
|
Dryer
|
Tubulor compactor/Calender

Process Flow (Open width Cotton)

Reversing
|
Lot Making
|
Dyeing
|
Open width cutting/squeezing
|
Dryer
|
Open Width compactor

Process Flow (open width cotton/Lycra Fabrics)

Lot making
|
Open width cutting
|
Stenter
|
Dyeing
|
Open width de-twisting/Squeeging
|
Stenter
|
Openwidth Compactor

d) Nonwoven

Fabrics can be woven, knit or nonwoven. While knit and woven fabrics require yarn for their production, nonwoven can be made directly out of fibres. nonwovens are a sheet of natural cellulosic and /or man made fibres or filaments, excluding paper, that have not been converted into yarns and that are bonded to each other by any of the several techniques available like spunlace, spunbond, thermalbond, needlepunch, etc. The product features of nonwoven formed by different techniques are different and determine the end use of the products.

Nonwoven fabrics are specially suited for disposable products or those with specialised needs. However, the use is also now extending to other application areas that were traditionally using wovens or knit fabrics because of certain features inherent in the Nonwoven manufacturing technologies as well as the fabric. Key features of the Nonwoven manufacturing technology are:

- Lower production cost and cycle time as compared to the weaving and knitting technologies
- Savings in logistics time and cost
- Higher rate of production (output per unit of time) as compared to weaving and knitting technologies.

All these points lead to lower cost of production and thus lower the cost of the final product.

The key features of Nonwoven fabrics are:

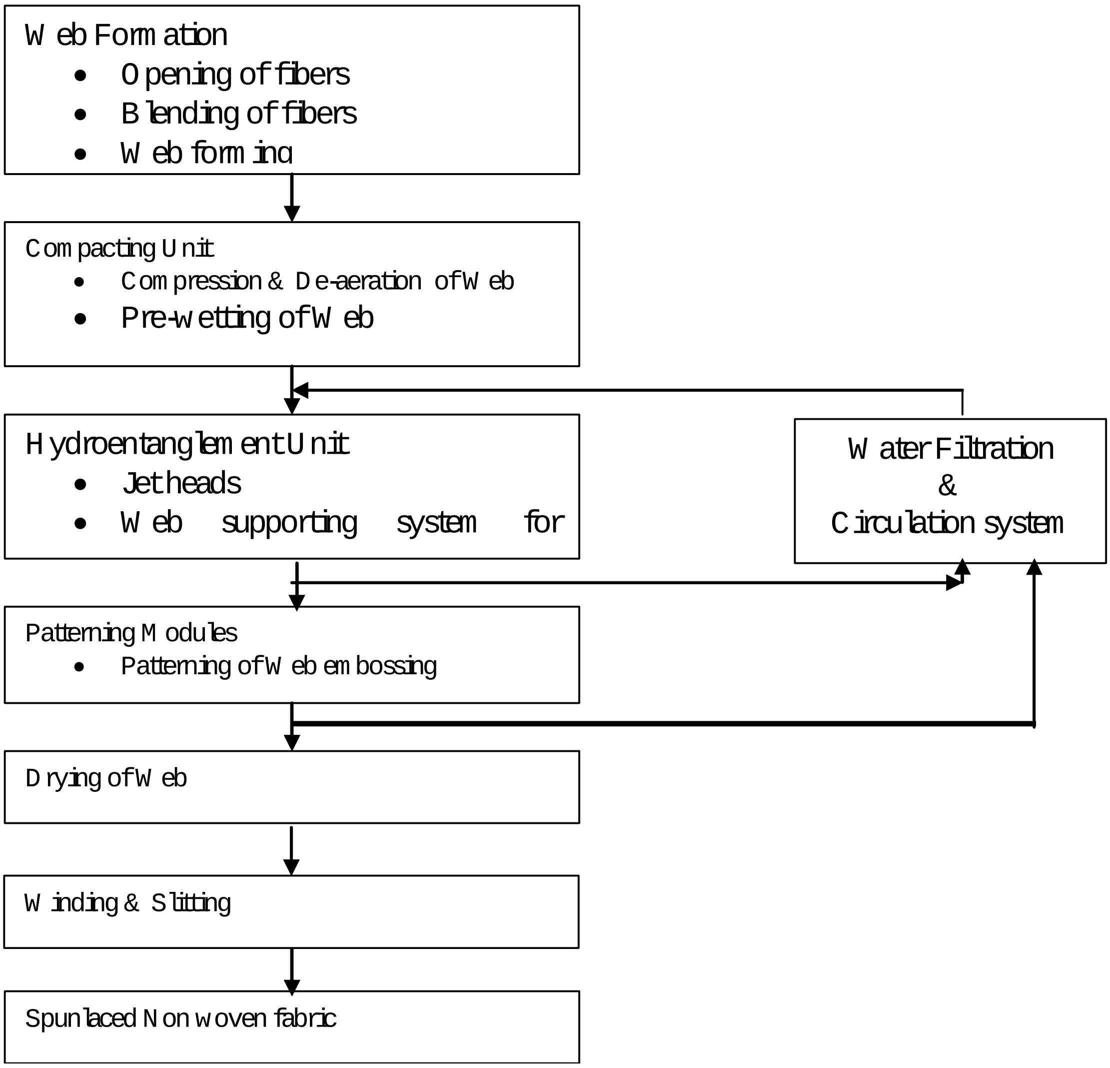
- Soft and lofty appearance
- High bulk property and absorbency
- High sheer strength and suitability as a filtration medium and coating.

Spunlace is the fastest growing technology in the Nonwovens spectrum. The spunlacing process involves mechanically wrapping and knotting fibers in a web through the use of high velocity jets of water. Industry experts estimate that approximately 6% of all (12% of carded) nonwovens produced in the world are made through a Spunlace process. With more than 150 Spunlace plants in production worldwide and additional lines scheduled to start up around the world Spunlace technology is one of the fastest growing technologies for production of Nonwovens.

Although a plethora of Nonwoven manufacturing technologies are available, Spunlace technology holds a distinct advantage in relation to the other technologies because of the unique combination of properties of the Spunlace Nonwoven product and its wide arena of applications, which can be summarized as follows:

- Absence of resin binders, which makes the Spunlace Nonwoven fabric more hygienic and suitable for medical/surgical/ personal care product applications wherein the fabric, comes in direct contact with the skin/ eyes.
- Using Spunlace technology, it is possible to generate embossed patterns on the fabric, which is not possible with any other technology. In addition to this, it is possible to create apertures in the fabric using Spunlace technology, thereby making it the only technology suitable for production of gauzes and bandages, where apertures in the product is an essential feature.
- Possibility of blending fibres of manmade origin (such as polyester/ polypropylene) as well as natural origin (such as cotton) with ease, which is not possible in case of Spunbond, spunmelt or meltblown technologies, as these technologies are based upon extrusion, wherein thermoplastic manmade fibres (polyester/ polypropylene/nylon) are most commonly used.
- Softness, loftiness and absorbance properties of the Spunlace fabric, making it extremely suitable for wipes in applications like personal care involving skin contact, coverstock (outer covering) for baby diapers, bandages/ gauges etc.
- Uniformity of the width and surface characteristics of the Spunlace fabric make it suitable for substrate coating.
- Spunlace fabric is most akin to textile in application because of its good drapability, softness and aesthetic appeal.

A typical spunlace production flow diagram is as follows:



The production flow is being detailed below:

- Precursor web formation

  Web formation consists of opening and blending of fibres and finally a web forming system. Theoretically any nonwoven web forming process can be used in the spunlace process. It depends on the nature of characteristics required for the end product. Isotropic precursor webs can be produced (parallel laid) with good MD: CD strength currently by new generation cards.

  Generally in practice, the web formation for the spunlace production line utilizes carded web making technique. The fibres are handled by blending and opening machines and the web is formed at the carding stage. This is a continuous process and the web so formed is guided to the spunlace unit by the help of web supporting system.

- Hydroentanglement web bonding

  Before moving the web to final bonding by hydroentanglement process the carded web is first compacted and pre wetted to eliminate air pockets. The hydroentaglement is an energy transfer process where the system provides high energy to water jets and then transfers the energy to the precursor for consolidation of fibers. The water jets operate at a pressure optimized for end use requirements. There is a web supporting system, which may be either perforated drum or belt below the web, which gives support to the web.

The spunlacing results from the turbulence generated by the direct jets of the injectors and the jets bouncing back after they hit the support web.

The number of injectors and drums depend on the basis weight of the fabric to be produced. The water pressure generally increases from the first to the last injector. Injector hole diameter ranges from 100 to 120 micron, the holes are arranged in rows with 3 – 5 mm spacing with one row containing 30 – 80 holes per 25 mm. A vacuum below the web support system is maintained which ultimately removes used water form the product preventing flooding of the bonding zone and reduction in effectiveness of jets.

- Web drying

  When the fabric leaves the spunlace unit, it is completely saturated with water and needs to be dried up. The drying is done by air through dryer with drum type arrangement.

- Water circulation

  Hydroentanglement needs reasonable amount of water and the water is filtered and recirculated in the process.

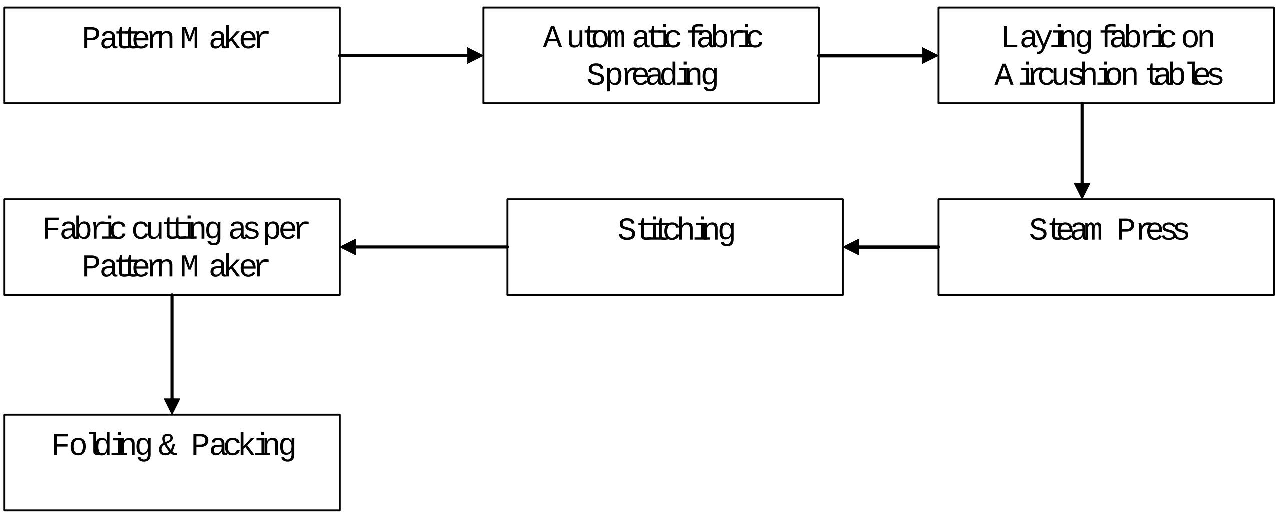
- Winding

  The final fabric after drying is wound onto a tube in automatic winding machine. The winding machine may have in line slitting arrangement or off line slitter with rewinder arrangement may be used for higher line efficiency.

e) Garments

The Company intends to achieve the benefits of vertical integration by entering into garments production.

The computerized pattern maker & Marking machine will make pattern according to the size of the fabric minimizing wastage of fabric. The fabric will then be spread by Automatic spread machine on air cushion spread table. The fabric would be cut according to the pattern by automatic cutting machine. The pieces of fabric would be transferred to stitching machine, which will stitch the garment. If required the steam press would be done and the final garment would be folded and packed. The Process flow diagram is as follows:



5. RAW MATERIALS

a) Spinning

Cotton is the main raw material required. The Company procures cotton form various cotton markets through out Indian States namely Punjab, Haryana, Madhya Pradesh, Gujarat and Maharashtra. The Company uses the services of agents and cotton selectors who visit the market to check the quality of cotton, negotiate the prices and purchase the cotton on behalf of the Company. Cotton is widely available in India. However, being a 100% EOU, the Company also benefits from importing cotton at low price, without having to pay duty. This option can also be utilised in case of non-availability of cotton in India.

b) Knitting

The major raw material for Knitting is cotton yarn produced by the Company. Other varieties of yarn like polyester and viscose are procured from the market. Lycra is procured both indigenously and by way of import mainly from US and Korea.

c) Dyeing & Processing

The major raw material for dyeing & processing is knit fabrics produced by the Company. Marginal quantities of knit fabrics are being procured from the market. The Company also undertakes dyeing & processing jobwork thereby generating higher revenues from the dyeing and processing unit. The current proportion of Jobwork is approx 10%.

d) Nonwoven

The main raw materials for manufacturing nonwoven fabrics are polyester and viscose fibre. The Company proposes to procure Viscose fibre from the Grasim Industries, Gujarat who are world second largest manufacturer of viscose fiber; Polyester fiber is proposed to be procured from Reliance Industries, Patalganga, Maharashtra who are also the second largest manufacturer of polyester fiber in the world. Both raw materials are easily available in the market and no firm arrangement are envisaged for procuring them.

e) Garments

The raw material for the garments unit is processed fabrics, which is manufactured in house by GFL.

6. UTILITIES

(A) Power

a) Spinning

The power requirement for the proposed debottlenecking of the spinning unit at Chhata, Mathura, UP will be met from the surplus power available from existing D.G sets. The Company is presently operating Wartsila D.G. Sets to meet its current power requirements for its spinning, knitting and dyeing & processing units.

The power requirement for the expansion of the Ring Spinning capacity at Panoli, Gujarat is expected to be 35,000 units per day at 100% capacity utilisation, which would be met by installation of gas-based gensets with a capacity of 1.5 MW.

b) Nonwoven

The total power requirement for the nonwoven project is 42000 units per day at 100% capacity utilsation. It is proposed to put gas based power generating sets with a capacity of 3.37 MW (+ 1.5MW for expansion), which includes sufficient standby capacity. No grid connection is envisaged. Cost of gas based power generation is expected to be lower than that of grid power. Selection of site has been done keeping in view the constant availability of gas.

c) Garments

The total power requirement for the garments project is 1300 units per day at 100% capacity utilisation. Power requirement is not substantial and the same would be taken from the grid. However, a standby D.G. Set is envisaged.

(B) Water

a) Existing Spinning, Knitting and Dyeing & Processing Units

For Unit I, water requirement is not substantial. However, for Unit II the requirement of water is around 5 lac litres per day which is being drawn from a bore well. The Company has put up a reverse osmosis plant for making the quality of water suitable for use in the manufacturing activities of Unit II. The water discharged from the process house is being treated in the ETP Plant before draining out.

b) Nonwoven

Approximately 5 lac litres of water would be required per day for the project. The site has been identified keeping in view the availability of water at Panoli. The water will be procured from Gujarat Industrial Development Corporation. A Bore well can also be dug at the site. The available water has been analysed for its quality and has been found suitable for the project.

c) Garments

No substantial water is required.

7. INSURANCE

The Company has taken the following insurance policies for its existing operations:

- Machinery Break Down Policy for 5 D.G. Sets
- Stock Policy (Standard Fire & Allied Risk Policy)
- Building, Plant & Machinery etc. (Standard Fire & Allied Risk Policy)
- Loss of Profit Policy
- Schedule Policy
- Marine Policy
- Motor Vehicle Policy
- Workmen Compensation Policy for workers
- Personal Accident Policy for staff

The above have been taken from United India Insurance Co. Ltd., the Oriental Insurance Company Ltd. and Bajaj Allianz General Insurance Company ltd. All the policies are valid as on date.

The Company proposes to take necessary policies relating to risk during Construction of Building, Transportation of Machines & Equipments, and Erection & Commissioning of Plant & Machinery. The policies listed above for the existing units would also be taken for the new units once the new projects are implemented and the operations commence.

8. HUMAN RESOURCES AND EMPLOYEE TRAINING – PROPOSED OPERATIONS

Plant	Managers	Executives	Staff	Workers	Total
Spinning	6	8	12	75	101
Nonwoven	5	8	12	50	75
Garments	4	—	20	135	159
Sub Total	**15**	**16**	**44**	**260**	**335**

The manpower for all the three projects would be easily available. In case of Nonwoven, Rieter, the supplier of plant & machinery, will also provide training to the workers as per the terms of agreement. The Company envisages no difficulty in terms of availability of manpower.

9. PRODUCTS OF THE COMPANY

a) Existing Spinning & Knitting Unit

We have the capacity to produce the following:

- 33 Tons of Single Ring Spun Combed and Carded yarn per day in the count range of Ne 16 to Ne 50.
- 6 Tons of Doubling 16s - 40s/2.
- 10 Tons of Open End yarn in the count range of Ne 6s to Ne 20s.
- 10 Tons of Grey Knit Fabrics.

b) Dyeing & Processing Unit

- 10 Tons of Processed Knitted Fabrics per day consisting of (5 tones of tubular and 5 tons of open-width) viz.: NE 20 to 50 Single Jersey
- 150D/100 Terry Fabric
- 75D/34 Interlock Polyester Fabric
- Polar Fleece Fabric
- Cotton Melange Single Jersey
- Cotton Melange with Lycra

Available Gauge - 18gg/20gg/24gg/28gg.

Available Diameter - 30''/32"/34"/36"

Special Finishes: Teflon / Stain Resistant / Water Repellent / Fire Retardant etc.

c) Nonwoven fabrics (Proposed)

The Company proposes to manufacture fabrics for the following applications:

- Nonwoven substrate to be used in PVC/PU coated materials. (for the domestic market)
- Wipes-Dry/Wet
- Surgical gowns, baby diapers, sanitary napkins and other hospital dispensable products under various applications including Non Woven gauge fabric.

d) Garments (Proposed)

The Company proposes to manufacture Garments for the following applications:

- Upperwears: T-Shirts.
- Undergarments: Briefs and Vests

All the Company's products are of industrial nature except the Garments which are for consumer use.

10. MARKETING & SELLING ARRANGEMENTS

(A) Current Arrangements

GFL is primarily engaged in the manufacture of cotton-combed yarn and knitted fabrics. The Company manufactures cotton yarn of 6 to 10, 12, 16, 20, 24, 26, 30, 32, 36, 38, 40 & 50 counts.

GFL is exporting through an agent network. 80% of business is received through agents and the Company is receiving repeat orders from most of its customers. Major customers of GFL are:

1. Focoland in Hong Kong
2. Step Glade & Glandale Associates in UK
3. Leonslip, Mantafil & Montee Tessile in Italy
4. House of Sunshine & Apex Limited in Bangladesh
5. Samsung Corporation in Korea
6. Taizen Corporation & Quinnitex Corporation in Taiwan

(B) Proposed Arrangements

There are no firm selling agreements for the new projects viz. spinning, nonwoven and garments. However, the Company has been selling the yarn produced out of its existing spinning and knitting units and is confident that the products out of the new units would be comfortably sold to markets throughout the world.

a) Nonwoven

With a growing global demand for nonwovens, there is an opportunity to tap the export market. The demand for Spunlace Nonwoven fabric exists both within India and globally. The marketing team of GFL had meetings with various prospective buyers in Europe who have shown their interest in purchasing Spunlace Nonwoven Fabric. The Company feels confident of successfully exporting the products.

In the Indian market, customers get only imported products as there are no Spunlace nonwoven fabric manufacturing units in India. Therefore, an immediate opportunity of substituting the imported products is available in the Indian market. Further, there is a potential for developing the Indian market across the various applications where nonwovens can be used but which is presently not taking place due to high cost of imports. Once the product is manufactured in India, various other applications for the product can be developed thereby boosting the domestic demand. The Company has discussed with various downstream manufacturers that use imported nonwoven fabrics and has gathered that they are willing to switch over from expensive imported nonwoven fabric to the Company's product, provided they meet the quality and price considerations. The Company also plans to sell to the end users through agents. The Company has analysed the market and has come out the following findings and strategy for entering into the nonwoven industry and marketing the product across the various segments:

Target Segments:

GFL plans to install the Spunlace technology for manufacturing Non Wovens, specially targeted at the key application areas as mentioned under:

Domestic market:

1. Nonwoven substrate as an alternative to existing woven/knitted fabrics used in PVC/PU coated materials.

Export Market:

2. Wipes-Dry/wet

3. Applications in the medical industry for surgical gowns and other hospital dispensable under various applications including Non Woven gauge fabric.

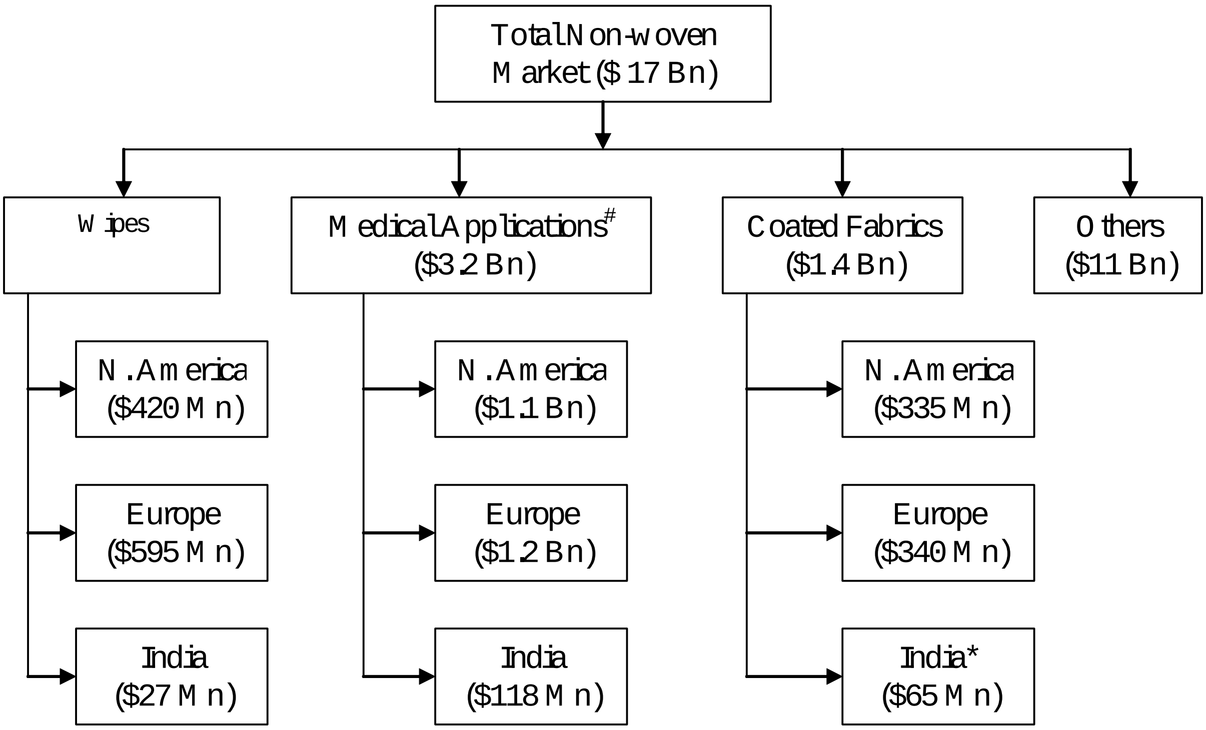
Over time when the Indian market for the product develops and the demand becomes significant, the products would also be supplied to buyers in the domestic market.

Market Size:

As per KSA Technopak research, global production of nonwoven fabrics is estimated to be $17 Bn in the year 2003. The overall market has been growing at an estimated rate of 6-7% per year. This growth of global nonwoven market is expected to continue between 2002 and 2006**,** and industry sales is projected to exceed 5.63 Mn ton and $20 Bn in value terms by 2006. (*Source: INDA, The Association of the Nonwoven fabrics industry; DRA study*)

With a 31% share of production by tonnage, the Non Woven industry in the North America has led the rest of the world in both product innovation and production. North America is closely followed by Europe and Japan and together these regions constitute about 70% of total worldwide production Emerging countries like South East Asia and China are becoming increasingly important both as markets as well as production bases.

The break up of the $17 Bn nonwoven global market size as targeted by GFL is shown application wise in the following chart:



Excluding personal hygiene products

*Includes woven and knits.

Substrates:

Nonwovens are increasingly being used as substrates for PU/PVC coatings. The markets worldwide in Nonwoven coated fabrics is rapidly evolving and is estimated to have grown at AGR 3.8% through 2003 with demand for nonwovens reaching 123,000 tons in 2003 with value of $1.4 Bn. North American and European markets are the biggest and are about $335-340 Mn each. Growth in this sector is driven by automotive and transportation, protective clothing, awnings/canopies (including signage), and small volume niche markets. Slower than average growth is expected in furniture, industrial, commercial tents and book coverings, which have become mature or commoditized.

India consumes around $1.1 Bn of coated fabrics, using an estimated $65 Mn of substrate fabrics. Nonwovens currently constitute a small proportion of total demand and are primarily used in the footwear industry. Presently there are about 85 PVC coating units in India. Most units are working to their full capacities and are importing substantial quantities of Non Woven Spunlace fabric from Korea & Taiwan. The demand for nonwoven fabrics as a substrate is approx 18000 MT per year.

Wipes:

The global retail value of nonwoven wipes is about $1.4 Bn or 6 Bn square meters. The biggest market for wipes is Europe followed by North America. Indian market for nonwoven wipes is still in nascent stages and is estimated to be around $27 Mn.

Spunlace is the most popular technology in wipes market. Wipes markets is now one of the fastest growing markets for Non

Wovens in general and Spunlace material in particular. The market share for the Spunlace in the wipes market is currently 43% and is expected to increase to 48% by 2006.

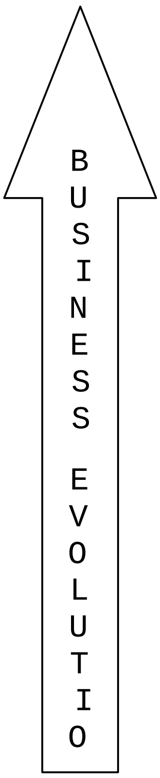
Medical applications:

The medical/surgical market is the highest revenue generator in the Nonwoven segment with $3.2 Bn in global sales for 2002. The markets in Europe (in particular UK, France and Germany) and Japan have higher growth rates than the U.S. market (in the 5-10% range) while Asia, Eastern Europe, South America and the Middle East are growing even more rapidly. Spunbond is the most popular technology with 42% of the market, followed by Spunlace with 33% share. In India, the total market size of Nonwoven materials used under medical applications is estimated to be $118 Mn.

In woundcare applications woven fabrics are still more popular in India. However, the use of disposable nonwovens, though currently limited will increase as consumer concerns for safety and hygiene rise.

Business Strategy:

The market presents various opportunities and challenges that GFL intends to exploit and overcome. GFL's strategy to establish itself in the global nonwoven industry is detailed in the chart below:



	PU/PVC Substrate	Wipes	Medical Applications
Exports	Establish	Establish	Establish
Domestic	Establish	Establish	Establish

	PU/PVC Substrate	Wipes	Medical Applications
Exports	Enter	Establish	Enter
Domestic	Establish	Enter	Enter

	PU/PVC Substrate	Wipes	Medical Applications
Exports		Enter	
Domestic	Enter		

The Company intends to execute this strategy as detailed below:

Substrate Market:

- As detailed above India would be as competitive as any other country for manufacture of Polyester/Viscose based Spunlace fabrics as used in PU/ PVC substrates. However in case of domestic supply, GFL will be able to supply at much more competitive prices as the market is currently protected by high import duties (40%). This makes first quality products highly expensive in the Indian market and out of reach of the local manufacturers, who are thus catered to mostly by the seconds' quality. However once domestic production starts the consumers will be able to get first quality products at the current prices, thus eating into the imported fabric market.

- Raw material, power, wages & interest costs are the key cost drivers in the Spunlace Manufacturing. Raw material contributes 70% to the final cost of Spunlace production. India with huge capacities of polyester, viscose and cotton production can compete profitably against other manufacturers across the world.
- In Polyester based Spunlace fabrics produced (essentially Substrates) India will be
  - o 20-40% cheaper than similar imported products sold in domestic markets
  - o Competitive in the export market and will not have any price disadvantage.
- In Viscose based Spunlace fabrics produced (essentially Wipes and Medical applications) India will be
  - o 30-40% cheaper than similar imported products sold in domestic markets.
  - o Competitive in the export market and will around 10% cheaper than those produced other countries.
- With GFL's target price for nonwoven fabric and state of art technology that GFL plans to install, the Company expects the market response for the products to be extremely positive. GFL will be able to largely substitute imported products with that manufactured by GFL on the basis of better quality at almost a 25-50% lesser price
- Also a number of manufacturer currently using imported Spun bond substrates will shift to the superior Spun lace substrates once domestic manufacturing starts and Spunlace substrate is available at prices less than that of imported spun bond substrates.

Thus GFL will be able to successfully tap the PU/ PVC substrate market segment and also be able to catalyze demand by providing international quality products with better performance at the price of wovens and knitted and other nonwoven products made by Spun bond, thermal bond techniques. However, Woven/knitted fabric substrates cannot be fully replaced as they have some applications where Nonwovens may not be suitable but still they can co-exist giving reasonable business opportunity for Nonwovens made in India.

Wipes:

Domestic: One of the key reasons for low usage of household and personal care wipes in India is its high cost. Demand has remained limited primarily due to the overwhelming preference for re-usables, while price discounting restricted value sales. However given rising household incomes, greater product awareness and affluence in urban India, demand for disposable paper products is confined to the more developed areas and large cities. In the industrial segment, the wipes sold in India are mostly imported and hence as in other applications are priced almost 50% more expensive than what could have been the price for domestically manufactured products. The possibility of import substitution hence would also be large in this segment.

Thus there is a good potential in the Indian market. Though the industrial segment can be immediately tapped in the short term, the household and the personal care segment can be tapped in the medium to long term. These markets are yet nascent and will take a minimum of 3-5 years to develop to any substantial size.

Our Company also proposes to seed market the nonwoven wipes products by installing a small wipes converting machine out of internal accruals. The spun lace fabric would be imported to manufacture and seed market nonwoven wipes. This will help to develop nonwoven wipes market in India by the time Company's nonwoven fabric project commences production in October 2006.

Exports: Exports are the main focus of GFL for wipes. As mentioned earlier, wipes are the biggest segment in nonwovens and are also one of the fastest growth areas. With an estimated market size of $1.4 Bn in 2002, the segment offers vast opportunities for manufacturers exporters.

The current CIF prices for household wipes (70% Viscose, 30% Polyester) in the global market are :

3.2-3.5 USD for plain wipes and

4.0-5.0 USD for appertured wipes (Source: Kimberly Clark, Boots: CIF Prices)

As per GFL estimates, wipes with similar fibre content can be manufactured at very competitive prices by the Company, making exports viable and profitable in the global markets. This price competitiveness is also backed by international quality made on state of the art machines which will further increase the acceptability if GFL's products.

The key advantage that GFL will enjoy in the export markets in this segment is that Viscose used in Spunlace manufacturing is priced marginally cheaper in India. Since viscose is the main fibre in wipes, and contributes considerably to the overall cost of Spunlace fabric, this cost advantage in fibre will translate into a cost advantage in the final product.

Technology will also give an edge to GFL. While most of the existing Spunlace manufacturers operate on Technology, which is about 3 years old, GFL will have the latest technology that will allow it to produce Spunlace fabrics at a much higher speed, thus reducing the overall production cost.

Medical applications:

Domestic: Nonwovens have just begun to penetrate the Indian markets and even though current consumption is not very substantial as compared to other countries the same is expected to grow in the recent future. In the organized sector of medical industry, Nonwovens are currently popular as cover stock application and are seen to be preferred over woven or knitted options. Wound care applications, sterile packaging and cover stock account for almost two third of total medical consumption of Non Wovens. In wound care applications however woven are still more popular. Nonwovens fabrics in hospital dispensables like gowns, drapes etc., are being used to a significant extent in the organized sector. The overall usage data however may be negatively skewed towards wovens as they are consumed significantly more than Non Wovens in unorganized sector. This trend is changing with the advent of high-end specialty hospitals where both patients and doctors ask for more hygiene and increased safety measure, which are possibly better served through Non Woven materials.

The Company is confident that nonwoven products can be widely successful in India if priced suitably. A case in point is the success of disposable syringes in India, which have almost completely replaced the non-disposable syringes. However, low cost as compared to maintenance of non-disposable products will not be the key replacement criterion. The main factor that will help is the hygiene and safety assurance that nonwovens provide.

Exports: Exports is the main focus of GFL for medical products. As mentioned earlier, the medical applications market is the highest revenue generator in the nonwovens segment with an estimated market size of USD 3.2 Bn in 2002.

The current CIF prices for medical products in the global market are

70% Viscose, 30% Polyester	:	3.5 -4.0 USD
100% Cotton	:	5.0-5.5 USD

(Source: KSA Research; CIF Prices)

These can also be manufactured at a cost similar to those of wipes making exports viable and profitable in the global markets. This price competitiveness is also backed by Spunlace technology, which is especially suitable for medical industry as it avoids usage of chemicals and the water jets repeatedly wash the raw material during the fibre-entangling phase.

The key advantage that GFL will enjoy in the export markets in this segment is that Viscose and cotton used in Spunlace manufacturing is priced marginally cheaper in India. Since raw material/ fibre is the main cost element in Spun lace nonwovens, this cost advantage in fibre prices will translate into a cost advantage in the final product.

Besides India is already a large producer and exporter of medical fabrics e.g. Gauges to markets like USA. These manufacturers currently export woven / knitted products and can easily make nonwoven products too. Thus entering the nonwovens market for medical applications would not be a difficult task for GFL. Some of the manufacturers like Dutt Medicos have already started exploring this opportunity and have imported nonwoven fabrics to value-add and export. GFL could thus also tap this segment by outsourcing the value addition part and exporting medical products or supplying to converters who will further export to consuming markets.

b) Garments Project:

The Company is presently selling its Knitted Fabric to one of the renowned firms manufacturing Undergarments in the Europe. In view of the cost consideration, the buyer of Knitted Fabric is interested in importing the Undergarment from the Company. Besides, the overall export market is huge and the Company can exploit its existing business relationships for processed fabrics with world-renowned branded-garment distributors namely Marks & Spencer, Espirit, Saralee, Benetton etc. who are willing to source readymade garments from the Company.

11. COMPETITIVE STRENGTHS

The Company faces competition from large and integrated players. Further, smaller producers of yarn and knit fabrics also create competition. However, after completion of our current forward integration project of garments, we will be able to enhance our margins and establish ourselves in the higher value business. Setting up the nonwoven unit will provide us a first mover advantage in the industry. Here, we would be competing with global players and would benefit from the low-cost advantage by virtue of having an Indian base.

The Company believes that the following strengths will enable it to ward off the threat of competition:

- *Experience:* GFL has been in the textile industry for more than a decade and the promoters have about four decades of experience across various industries including textiles and polyester fibre.
- *Established Customer Base:* GFL, being in the industry since long, has been able to develop a customer base, both in the domestic and international market, which can be leveraged by GFL for its new operations.
- *Established Marketing & Distribution Network:* The Company has a well-established marketing and distribution network.
- *Quality Produce:* GFL has been consistently focusing on quality and conforming to the international quality standard ISO 9001:2000.
- *Export Experience:* GFL has a track record of exporting its products. Thus, it has the know-how of the processes involved, relevant approvals required, hedging mechanisms to minimize the risk of foreign exchange fluctuations, etc.
- *Lower Cost of Production:* The Company has installed D.G. sets for meeting its power requirement. This coupled with lower fuel costs on account of it being a 100% EOU will enable the Company to secure power at a lower cost than grid power. Moreover, at Panoli, the Company would be generating power through gas-based equipment, which, considering the increase in oil prices would be more cost-effective than oil-based power.
- *Growth Strategy:* Viscose use is forecast to grow significantly faster than all the other man-mades, although from a much lower volume base, due largely to its suitability in rapidly growing markets for nonwoven wipes, medical disposables and other hydrophilic products. Nonwovens account for 9 out of the 10 fastest growing products containing viscose. Thus, the Company's product proposal to produce viscose blended Nonwoven fabric will benefit from this high growth expected in demand.
- *Advantage over Foreign Producers:* In the current interest relaxation regime (TUFS), Indian textile players are certainly at an advantage over those in many other countries. Under TUF Scheme an interest rate subsidy of about 5% is provided. Thus, GFL would benefit from lower interest rates on term loans taken for the new projects.

12. CAPACITY UTILISATION

Capacity Utilisation for the existing units for the past 3 years and projected utilisation for the next 3 years is as under:

UTILISATION %	2007-2008 (E)	2006-2007 (E)	2005-2006 (E)	1st Qtr 2005-2006	2004-2005	2003-2004	2002-2003
RING SPINNING	98.50	98.50	98.50	98.71	98.48	98.68	98.52
OPEN END SPINNING	97.50	97.50	97.50	98.03	97.22	96.67	97.21
KNITTING	80	70	60	29.66*	54.35*	85.94	85.70

* Since the demand for the Company's basic Knitted product (known as grey fabric) has declined, the Company has installed a Dyeing & Processing Facility that would take the grey fabric from the Knitting Facility and process it, thereby adding value. The Company expects to have a good demand for this value-added product. The Process house has commenced commercial production from 1st July 2005. The beneficial impact of this facility is expected to accrue from the next Quarter.

Projected Capacity Utilisation for the proposed projects for the next three years is as under:

	2006-07	2007-08	2008-09
Spinning	85%	90%	90%
Nonwoven	70%	80%	90%
Garments	80%	85%	85%

Source: SBICAP FAN

13. ENVIRONMENTAL COMPLIANCE

National environmental standards in India are drafted by the Central Pollution Control Board and the Ministry of Environment and Forests, Government of India and are enforced by various pollution boards and pollution control committees.

In order to keep pace with changing environmental regulation norms and to ensure compliance with statutory requirements in the field of pollution control, we undertake renovation, modernisation, retrofitting and upgradation of pollution monitoring and control facilities in our manufacturing units.

All our manufacturing units are currently in compliance with the applicable environmental regulations. All manufacturing units have valid approvals for complying with water and air pollution norms.

The following are the steps planned to take care of the emission & effluent from the proposed projects:

a) Expansion of Spinning Capacity:

Chimney with adequate height would be provided to take care of air pollution requirements

b) Nonwoven Project:

Wastewater was initially planned to be drained through common ETP system installed by GIDC. However, the Company is also exploring the possibility of establishing a zero-discharge ETP Plant. Chimney with adequate height would be provided to take care of the emissions from DG Sets.

c) Garments Project:

There will be no emission and effluent and therefore, no air and water pollution.

14. CORPORATE SOCIAL RESPONSIBILITY

The promoters and the Company understand their responsibility towards the society. Not only are they actively implementing measures to conserve the environment but also undertaking welfare measures like construction of hospitals, educational institutions, etc. as listed below:

Educational Institutions

- Seth Anand Ram Jaipuria College, Calcutta.
- Seth Anand Ram Jaipuria School, Kanpur.
- Smt. Nani Bai Jaipuria Balika Secondary School, Mandawa(Rajashthan).
- Seth Anand Ram Jaipuria School, Ghaziabad.
- Jaipuria Institute Of Management, Ghaziabad.
- Jaipuria Institute, Ghaziabad

Social Institutions

o ***Public Guest Houses***

  - Seth Anand Ram Jaipuria Smriti Bhawan, Vrindavan.
  - Seth Anand Ram Jaipuria Smriti Bhawan, Haridwar.
  - Mathushri Jai Devi Anand Ram Jaipuria Smriti Bhawan, Chitrakoot.

o ***Eye Hospital***

- Seth Anandram Jaipuria Eye Hospital, Nawalgarh(Rajasthan).

o ***Temple***

- 'Ram Darshan' Temple, Chitrakoot.

15. PROPERTY

Existing Manufacturing Units:

We have immovable properties at our manufacturing units for the purpose of our business. These properties are held on a freehold basis. Set forth below is a brief summary of our immovable properties related to our manufacturing units:

Sl. No.	Unit	Location	Leashold/ Freehold	Area (Acres)
1.	Spinning, Knitting and Dyeing & Processing	Village Chhata, Distt. Mathura, U.P.	Freehold	42.44
	Total			

DETAILS OF LAND PURCHASED

1. CHHATA (DISTT. MATHURA (UP))

DATE OF PURCHASING	NAME OF SELLERS (S)	AREA OF LAND	AMOUNT (RS)	MODE OF PAYMENT
18.08.1989	Mr Nangtu Ram Mr Sekhram	12.00 Acre	1788000/-	Cash
27.06.1996	Shri Jai Prakash Shri Uddhav Chand Shri Gyaneshwar Prasad Shri Vinod Bihari Shri Jagdish Chand Shri Vijay Prakash Shri Madhav Chand	12.67 Acre	7285250/-	Cash
28.01.1998	Shri Dharam Singh	2.92 Acre	1513000/-	Cash
14.09.2005	Shri Bahori Shri Daryab Singh Shri Mohan Shri Govind Singh Shri Hari Shri Mahaveer Singh Shri Raghuveer Singh Shri Rajveer Singh	12.00 Acre	6625000/-	Cash
04.10.2004	Shri Bahori Shri Daryab Singh Shri Mohan Shri Govind Singh Shri Hari Shri Mahaveer Singh Shri Raghuveer Singh Shri Rajveer Singh	2.85 Acre	1567500/-	Cash
	Total	42.44 Acres		

The above lands acquired by the Company are free from encumbrances and have clear title.

Details of Offices and Other Properties:

Set forth below are the details of our offices and other properties:

Sl.No.	Description	Address	Property rights	Area (Sq.ft.)
1.	Head Office	Padma Tower-II, Rajendra Place, New Delhi – 110 008	Leasehold	6355

STATEMENT OF LEASE AGREEMENTS FOR OFFICE AT RAJENDRA PLACE

SL. NO.	NAME & ADDRESS OF LESSOR	FLAT NO.	AREA SQ. FT.	MONTHLY RENT (RS.)	DATE OF EXPIRY OF LEASE AGREEMENT
1	Ms Pavitar Kaur Dhillion D/O Shri Gurjit Singh Dhillon V & Po. Shamgarh Karnal (Haryana)	308	611	10998	30.10.2012
2	M/S Varun Trust C/O Arora & Associates 131, Ground Floor World Trade Centre Babar Road New Delhi - 110 001.	802	611	12318	31.03.2006
3	Mr Jyoti Swarup Sharma House No. 1255, Sector 42 B, Chandigarh - 160 002.	803	611	11915	NO EXPIRY
4	Mrs Pushap Lata W/O Mr K. M. Garg 10, Nri, Mandakani Near C. R. Park Market New Delhi - 110 019.	804	730	14600	31.03.2006
5	Mrs Indu Abbot E-1/14, Ease Patel Nagar New Delhi - 110 008.	805	521	11462	06.02.2010
6	Mrs Sandhya Jain Archana Jain 53/5, Old Rajendra Nagar New Delhi - 110 060	807	764	17824	31.01.2006
7	Mrs Ajinder Oberoi House No. 120, Sector 28 A, Chandigarh - 160 002.	808	611	11915	30.06.2007
8	Mrs Satya Sharma House No.2406, SECTOR - 35c, Chandigarh - 160 002.	809	611	14255	31.03.2006

9	M/S. Deepak Diesels G-1, G.T. Karnal Road Delhi - 110 033.	810	764	17824	31.03.2006
10	Mr S K Bhatia (HUF) 48 A Jog Bagh New Delhi	BASEMENT FOR GEN SET	-	7000	01.11.2007
11	Shri Ishwar Chand Ca/38-B Shalimar Bagh New Delhi	205 TOTAL	521 6355	17500	12.04.2008

Purchase of Property

Property proposed to be purchased to be paid wholly or partly out of the proceeds of the issue:

Sl. No.	Description	Address	Property rights	Area (Sq. mtrs.)
1.	Non-Woven & Ring Spinning Plant	Plot No. 205 & 206, Panoli Industrial Estate, District Bharuch, Gujarat.	Leasehold.	1,01,120
2	Garments Unit	Proposed at Faridabad (Specific plot to be finalised)	-	-

Payment to GIDC Panoli Industrial Estate, Distt. Bharuch, Gujarat for Rs. 28898205/- for the Nonwoven and Ring Spinning Plant as above has been made on 11.10.2005.

KEY INDUSTRY REGULATION

There is no key industrial regulation. Please refer to the section on Industry Overview for further details.

Present Status of Government Approvals

The various approvals required and their current status is as mentioned in the following table.

a. Spinning Project:

No specific approval is required from statutory authorities. However, if need arises in due course of time, the same will be taken.

b. Nonwoven:

The following table shows the status of various approvals required for implementation of the nonwoven project:

Approval/Consent	Agency	Status
Registration with Excise Department	Excise Department	To be applied for
Registration with Sales Tax Department	Sales Tax Department	To be applied for
Registration under Factories Act	Directorate of Industries	To be applied for
Amendment in Export Import Code No	Jt. DGFT	To be applied for
EPCG License from Jt. DGFT	DGFT	To be applied for
Clearance from Pollution Control Board	Gujarat Pollution Control Board	Obtained (Letter No. GPCB/ BRCH/NOC-3192/34274 dated 01 December 2005)

c. Garments Project:

The following table shows the status of various approvals required for implementation of the nonwoven project:

Approval/Consent	Agency	Status
Registration with Excise Department	Excise Department	To be applied for
Registration with Sales Tax Department	Sales Tax Department	To be applied for
Registration under Factories Act	Directorate of Industries	To be applied for
Amendment in Export Import Code No	Jt. DGFT	To be applied for
EPCG License from Jt. DGFT	DGFT	To be applied for
Clearance from Pollution Control Board	Not Required	Not Required

We undertake to obtain all necessary licenses/registrations/permissions that may be required for continuing our existing operations and setting up the proposed projects.

IV.3 HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

The Company was incorporated as Ginni Filaments Limited (Regn. No. 35130) vide certificate of incorporation dated July 28, 1982 issued by the Registrar of Companies, West Bengal. Certificate for commencement of business was obtained on September 10, 1982. The Company shifted its registered office from the state of West Bengal to Uttar Pradesh. GFL is currently registered with Registrar of Companies, Uttar Pradesh and Uttaranchal, vide Registration No. 12550.

The Company set up a unit at Chhata, Distt. Mathura for manufacture of Cotton Yarn with 26208 spindles in 1990. The Unit has been expanding and diversifying since then and presently the Unit has 54432 spindles for manufacture of spinning yarn, 960 rotors for manufacture of Open End yarn and 27 Knitting Machines to produce single Jersey, Inter Lock, Rib Terry and Lycra Fabrics. A forward integration project for Dyeing & Bleaching of knit Fabric was implemented and commenced production in May 2005.

GFL is a 100% Export Oriented Unit (EOU) and entered the capital market with its maiden public issue in 1990. GFL is managed by Dr. Rajaram Jaipuria along with his son Mr. Shishir Jaipuria.

GFL is in the business of manufacture and export of textiles since 1990. Its present activities can broadly be classified as:

- Yarn & Knitted Fabrics
- Dyed & bleached Knit Fabric

The above activities are carried out in two manufacturing units. Both manufacturing units are located at Chhata, District Mathura in the state of Uttar Pradesh. GFL has obtained an IS/ISO 9001:2000 certification for manufacture and marketing of Yarn & Knitted fabrics.

Major Events:

Year	**Event**
1982	● Company incorporated on 28th July, as a public limited company registered at RoC, West Bengal, promoted by J.K. Bhagat ● Obtained Certificate of Commencement of Business on 10th September ● The main objective of the Company is to manufacture cotton yarn
1990	● Shifting of registered office from West Bengal to Uttar Pradesh ● Installation of 26208 Spindles (Unit I at Chhata Mathura, UP) ● Public Issue by the Company: Listed on DSE, BSE, CSE and ASE ● Management control taken over by Dr. Rajaram Jaipuria.
1993	● Rights Issue by the Company ● Expansion of installed capacity to 36288 Spindles
1994	Private placement of shares on preferential basis
1995	● Expansion of installed capacity to 54432 Spindles ● Entry into Knitting: (Have installed 27 Knitting Machines till date) ● Company's shares were listed on NSE
1999	Workers affiliated to All India Textile Mazdoor Janta Union strike work for 24 days.
1998	Expansion into Open End Spinning of Cotton Yarn: Installation of 960 Rotors
2003	Shares delisted from Uttar Pradesh Stock Exchange

2004	Shares delisted from DSE, BSE & Ahmedabad Stock Exchanges
2005	● Shares delisted from CSE ● Setting up of Dyeing and Processing Plant (Unit II at Chhata Mathura, UP)

Awards

YEAR	AWARD	Awarded by
1998-99	'Samman Patra' for valuable contribution to the Customs and Central Excise Revenue.	Govt. of India, Ministry of Finance, Dept. of Revenue
1999-2000	First winner for excellence in 'Cost Reduction' alongwith a cash award of Rs. 2 Lacs.	ICMF's Birla Economics and Textile Research Foundation
2001-02	'Star Export Award' for achieving excellence in the field of Textile Exports.	Govt. of Uttar Pradesh

Our Main Objects

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

1. To Carry on business as exporters, manufacturers, processors, importers, dealers, buyers and sellers of polyamide, polyester, rayon, polypropylene multifilament yarn, Acrylic fibre. Acetate curpramonium fibres, blends, synthetic fibres, man-made fibres, or in general of any fibres, filaments, yarns and fabrics (whether textiles, felted, looped or otherwise) manufactured and/or processed for any base whether organic, inorganic, or compounds or mixtures thereof by physical, chemical or other process or treatment now prevalent or as may be devised in future, and of spinning, blending, combing, weaving, knitting, bleaching, processing, dyeing, printing making or otherwise turning to account any other finished articles or finished articles thereof.
2. To acquire by purchase, lease exchange or otherwise, lands, buildings and hereditaments of any tenure or description and any estate or interest therein any rights over or connected therewith, and to develop and turn to account the same and in particular by preparing and laying out buildings sites, and by constructing, reconstructing, buildings, garages, bungalows, flats, factory premises, selling the same on ownership basis or otherwise pulling down, altering improving, decorating, furnishing, fitting up and maintaining residential premises, flats, houses, bungalows, cottages, hotels, lodging and boarding houses, guest houses, cinema and opera houses, factories warehouses, shops, sheds and other structures and by consolidating or connecting or sub-dividing properties, and by leasing subleasing, mortgaging, renting out and disposing of the same and to manage the lands, buildings and other property, whether belonging to the Company or not and collect rents and other income, and to supply to tenants, occupiers light, waiting rooms, reading rooms, meeting rooms, lavatories, refreshment rooms and other conveniences, amenities and advantages.
3. To design, develop, manufacture, purchase, sale, distribute, import, export or otherwise deal in all kinds of hardware, software, equipment systems, machinery and services in the area of electronics, computers, hardware, software, their applications and all related items used in Information Technology, Telecommunications etc.
4. To establish and run Computer Centres either directly or indirectly through licensees or franchisees both in India and outside India, to set up Software Technology Parks and other establishments relating to Information Technology to offer consultancy, data processing and other services in the area of electronics, computers and their applications especially for Internet, Multimedia, ECommerce, Telecommunications etc. to Industrial business and other customers.
5. To set up and run schools, colleges and institutions for imparting education or training in Computers, Management, Engineering, Hardware, Software and other areas relating to Information Technology, Electronics, Telecommunications etc.

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

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
23.04.1984 (EGM)	Increased Authorised Capital from Rs.20.00 lac to Rs.3.00 Crores. Clause – V
11.07.1989 (EGM)	1. Increased Authorised Capital from Rs.3.00 Crores to Rs.10.00 Crores. Clause – V 2. Amendment of the Articles of Association of the Company. Clause 99. 3. Change of Registered Office, Clause II of the Memorandum of Association of the Company. Clause – II the Registered office of the Company removed from 7, HareStreet, Kolkata to Uttar Pradesh.
15.02.1990 (EGM)	1. Amendment of Existing Articles of Association of the Company amended as follows: - Clause 3, 8, 10(a), 11, 14, 24, 34, 39, 40, 47, 57(a), 76, 100, 105(2), 111, 120(2), 122(2), 137, 139, 150, 150(1) & (2), 151, 153(1), 155, 156(1), 156(2), 156(3),(4) & (5). 2. Increased Authorised Capital from Rs.10.00 Crores to Rs.11.00 Crores. Clause – V
09.03.1991 (EGM)	1. Increased Authorised Capital from Rs.11.00 Crores to Rs.15.00 Crores. Clause – V
12.05.1994 (EGM)	1. Increased Authorised Capital from Rs.15.00 Crores to Rs.25.00 Crores. Clause – V
03.08.1995 (AGM)	1. Alteration of Articles of Association of the Company
	After the existing Article 8, New Article be added as Article – 8A.
04.01.1996 (EGM)	1. Increased Authorised Capital from Rs.25.00 Crores to Rs.40.00 Crores. Clause – V
27.05.1996 (EGM)	1. Increased Authorised Capital from Rs.40.00 Crores to Rs.60.00 Crores. Clause – V
11.04.2000 (EGM)	1. Amendment in Memorandum of Association of the Company. New Clauses be added after existing Clause No.2 in the Main Objects of the Memorandum of Association of the Company. 2. Amendment in Articles of Association of the Company (a) Insert the following definitions in the Article 2 after the definition of "Dividend", "Member", "Beneficial Owner", "SEBI", Depository", "Security". (b) Insert the following heading and Article as Article 3A after Article3 : Dematerialisation of Securities - 3A(I) Options for Investors, (ii) (a) and (b), (iii) Rights of depositories and beneficial owners, (iv) (a),(b),(c) Service of documents (v) Transfer of Securities (vi) Allotment of securities dealt with by a depository, (vii) Distinctive number of securities held in a depository (viii) Register and index of beneficial owners (ix) (c) Substitute to the existing Article 8a(ii) (d) Insert the following heading and Articles as Articles 44A and 44B after Article 44. Nomination, 44A(1),(2),(3) & (4) Transmission of Securities, 44B(1), (2) & (3) (a) The wards "nine percent per annum" appearing after the words "until payment at" in Article 29 be replaced with "such rate as may be decided by the Board from time to time.
15.07.2005 (EGM)	1. Increased Authorised Capital from Rs.60.00 Crores to Rs.75.00 Crores. Clause – V

Subsidiaries

There is no subsidiary company of GFL.

Shareholder Agreements

There are no shareholders agreements entered into by the Company with any of the shareholders.

Other Agreements

The following agreements have been entered into by the Company:

1. AMC for Tube lights by Asian Electronics Limited for the period of 01/06/2005 to 31/05/2007 for a consideration of Rs. 13,44,000/-.
2. AMC for Computers for factory by M/s. Nipun Technologies for the period of 01/04/2005 to 31/03/2006 for a consideration of Rs. 98,734/-.
3. AMC for Computers for H.O. by M/s. Nipun Technologies for the period of 01/04/2005 to 31/03/2006 for a consideration of Rs. 73,283/-.
4. Maintenance contract for three cotton centres by Uster Technologies India Pvt. Ltd for the period of 01/04/2005 to 31/12/2005 for a consideration of Rs. 27,000/-
5. Maintenance contract for Uster Equipments at Kosi Mill by Uster Technologies India Pvt. Ltd for the period of 01/04/2005 to 31/07/2005 for a consideration of Rs. 34,145/-
6. Maintenance and inspection agreements for D.G. Sets :

a. Maintenance support agreement : Wartsila 2 x 6R32 D.G. Sets by Wartsila India Limited for the period of 01/04/2003 to 31/03/2006 for a total consideration of Rs. 18,20,000/- (Rs. 6,06,665/- per year).

b. Inspection agreement for Wartsila 2x6R 32 D.G. Sets by Wartsila India Limited for the period of 01/04/2003 to 31/03/2006 for a total consideration of Rs. 5,40,000/- (Rs. 1,80,000/- per year.)

c. Maintenance support agreement for Wartsila 1x 12V 32LN D.G. Sets (4MW) by Wartsila India Limited for the period of 01/08/2003 to 31/07/2006 for a total consideration of Rs. 10,65,000/- (Rs. 3,55,000/- per year).

d. Inspection agreement for Wartsila 1 x 12V32LN D.G. Sets (4MW) by Wartsila India Limited for the period of 01/08/2003 to 31/07/2006 for a total consideration of Rs. 6,50,000/- (Rs. 2,16,665/- per year).

7. AMC for Electronic Digital Weighing Scales at factory by M/s. Scales Tronics for the period of 01/07/2005 to 30/06/2006 for a consideration of Rs. Rs. 42,000/-
8. Visiting charges of Fire Alarm System by M/s. Chetan Engineers @ Rs. 12,500/- per visit.
9. AMC for precision Air Condition by Emerson Network India Pvt. Ltd for the period of 01/04/2005 to 31/07/2005 for a consideration of Rs. 14,320/-
10. AMC for maintenance contract for ON LINE /UPS SYSTEMS, INVERTER, for factory and H.O. for the period of 01/04/.2005 to 31/03/2006 for a consideration of Rs. 21,500/-.
11. Material loading/unloading and stacking contract on piece rate basis for various jobs for the period of 01/04/2005 to 31/03/2006 by M/s. Rupesh Contractor.
12. Material loading/unloading and handling of waste contract on piece rate basis for various jobs for the period of 01/04/2005 to 31/03/2006 by M/s. Nagender Giri Contractor.
13. Material loading/unloading and stacking contract on piece rate basis for various jobs for the period of 01/04/2005 to 31/03/2006 by M/s. Sikender Singh Contractor.
14. Material loading/unloading contract on piece rate basis for various jobs for the period of 01/04/2005 to 31/03/2006 by M/s. Naval Singh Sisodia Contractor.

Strategic Partners

There are no strategic partners of the Company.

Financial Partners

There are no financial partners of the Company.

The Company has not entered into any Collaborations, performance guarantee or assistance in marketing by collaborators.

IV. 4 MANAGEMENT

Board of Directors

Under our Articles of Association we cannot have fewer than three directors or more than twelve directors. We currently have nine directors of which seven are independent.

The following table sets forth current details regarding our Board of Directors:

Name, Designation and Occupation	Age	Address	Period of term	Other Directorships
Dr. Rajaram Jaipuria (S/o Late Shri Mangtu Ram Jaipuria), Chairman & Managing Director, Industrialist	71 Yrs.	A-9/24, Vasant Vihar New Delhi	Non-Retiring Director	1. Ginni Power Ltd 2. Ganesh Synthetics Pvt. Ltd. 3. Lahoti Mercandise Pvt Ltd 4. Ginni Nonwoven Pvt Ltd 5. The India Thermit Corp. Ltd. 6. Apex Infocom Services Pvt. Ltd. 7. Abhinav Investment Pvt. Ltd.
Shri Shishir Jaipuria (S/o Dr. Rajaram Jaipuria), Vice-Chairman & Managing Director, Industrialist	48 Yrs.	A-9/24, Vasant Vihar New Delhi	Non-Retiring Director	1. Ginni Power Ltd 2. Ganesh Synthetics Pvt. Ltd. 3. Lahoti Mercandise Pvt Ltd 4. Ginni Nonwoven Pvt Ltd 5. Apex Infocom Services Pvt. Ltd. 6. Abhinav Investment Pvt. Ltd.
Shri J. K. Bhagat (S/o Late Shri Kali Charan Bhagat), Director, Industrialist	62 Yrs.	12/1, Pretoria Street Kolkata – 700 016	Retirement due in AGM, 2007	1. Aekta Limited 2. Bhagat Refinerers & Chemicals Ltd. 3. The Naihati Jute Mills Co. Ltd. 4. Tyroon Tea Company Limited 5. Ludlow Exports Ltd. 6. Shiva Mercantile & Trading Co. Pvt. Ltd. 7. Dhanlaxmi Trading Corporation Pvt. Ltd. 8. Banshidhar Ghanshyamdass Pvt. Ltd. 9. Capstan Wire Products Pvt. Ltd.
Shri M. P. Wadhawan (S/o Late Shri M. R. Wadhawan) Director	81 Yrs	M-9, NDSE, Part-II New Delhi – 110 049	Retirement due in AGM, 2006	1. R.L. F. Ltd.
Shri Gian Prakash (S/o Late Shri Sant Lal) Director	83 Yrs.	D-1089, New Friends Colony New Delhi – 110 065	Retirement due in AGM, 2006	None
Shri J. P. Kundra (S/o Late Shri Desraj Kundra) Director	75 Yrs.	332, Sector – 15A Noida (U.P.)	Retirement due in AGM, 2006	1. Creditcapital Asset Management Co. Ltd. 2. Ratnabali Capital Markets Ltd. 3. Delfin Finance Ltd. 4. South Asian Petrochem Ltd. 5. Alps Industries Ltd.

Name, Designation and Occupation	Age	Address	Period of term	Other Directorships
Shri Ashok Chopra (S/o Late Shri Bal Kishan Chopra), Nominee Director of IDBI, Chartered Accountant in Practice	54 Yrs.	G-13, Vijay Nagar Delhi – 110 009	Nominee Director of IDBI	None
Dr. H. P. Bhattacharya (S/o Late Shri Abhay Pd. Bhattacharya) Director Former Managing Director of National Textile Corp.	66 Yrs	320A, Hamilton Court DLF City , Phase – IV Gurgaon – 121 002	Retirement due in AGM, 2007	None
Shri Rattan Bansal S/o Late Shri Mithan Lal Bansal Nominee Director of IFCI Chartered Accountant in Practice	47 Yrs.	111/7, Malik Purian Street, Kaithal – 136027	Nominee Director of IFCI	1. U.P. Hotels Ltd. 2. Can Bank Computer Services Ltd.

All the Directors except non-retiring directors are paid sitting fees only, of Rs. 10,000 per sitting.

Details of Directors other than Promoters

Shri J. K. Bhagat is an eminent Industrialist having more than 32 years of experience in managing enterprises of varied interest namely Jute Textiles, Roller Flour Mills & Non Banking Financial Companies.

Shri M.P. Wadhawan is a Senior Chartered Accountant and Company Secretary having more than 50 years of experience in the area of financial management. He has held several senior management positions such as Vice Chairman – Steel Authority of India Ltd. and Chairman – Indian Iron & Steel Company Ltd.

Shri Gian Prakash is a retired IAS officer. He has held several senior positions including Secretary – Govt. of India and Comptroller and Auditor General of India.

Shri J. P. Kundra, BA (Hon.), LLB, has an outstanding & meritorious educational background. He joined the Imperial Bank of India in 1953 and rose to the position of the Managing Director of the successor Bank namely State Bank of India. He was also Managing Director of State Bank of Bikaner and Jaipur and Chairman – Banking Services Board. He was also Chairman of UFJ Bank (erstwhile Sanwa Bank) for 8 years. Presently he is a member of a high level committee in Punjab National Bank for settlement of NPAs.

Dr. H. P. Bhattacharya is a Doctorate in Textile Technology from the University of Manchester, UK. He has worked with the World Bank, Washington DC as Senior Textile Engineer responsible for modernisation, diversification, restructuring of Textile Industries in various countries. He also held the position of Managing Director of National Textile Corporation Ltd. Dr. Bhattacharya is a member of Shareholders'/Investor' Grievance Committee of the Board of Directors of GFL.

Shri Rattan Bansal, B. Com., FCA is a practising Chartered accountant. He is Director of U P Hotels Ltd., and Can Bank Computer Services Ltd. Also, he has been a part-time non official director of Oriental Bank of Commerce.

Shri Ashok Chopra is a practising Chartered accountant who has been in practice for more than three decades.

Borrowing powers of the Directors

Pursuant to resolution passed on 27th May, 1996 by the shareholders pursuant to section 293(1)(d) of the Companies Act, 1956 Board of Directors have been authorised to borrow moneys upto Rupees 500 Crores.

Compensation of Managing Directors / Whole time Directors

Name of Director	Contract/Appointment/ Letter/Resolution	Remuneration	Term of appointment
1. Dr. Rajaram Jaipuria	Salary approved by the shareholders for three years from the date of appointment	● Salary – Rs. 2.50 lacs per month ● Commission – 3% of Net Profit* ● Perquisites**	01.04.2004 to 31.03.2009
2. Shri Shishir Jaipuria	Salary approved by the shareholders for three years from the date of appointment	● Salary – Rs. 2 lacs per month ● Commission – 2% of Net Profit* ● Perquisites**	01.04.2004 to 31.03.2009

* computed in the manner laid down under Section 198 and 309 of the Companies Act, 1956

** perquisites will include reimbursement of expenses for gas, electricity, water and other utilities, medical reimbursement, LTC, personal accident insurance, use of car and telephone, contribution to provident fund, gratuity and leave encashment, etc.

Minimum Remuneration

In the absence or inadequacy of profits in any financial year, the remuneration as set out above may be paid as the minimum remuneration, provided that the total remuneration by way of salary, commission and perquisites shall not exceed Rs. 48 lacs per annum or Rs. 4 lacs per month as provided in Part II, Section II of Schedule XIII of the Companies Act, 1956

Compliance with Corporate Governance requirements

We are currently listed on the NSE. We are in compliance with the provisions of the listing agreements with the Stock Exchange, including those relating to corporate governance, broadbasing of management and setting up necessary committees like the Audit Committee and the Shareholders' Committee.

We have complied with SEBI Guidelines in respect of corporate governance, including those with respect to broadbasing of the Board, constituting the committees such as the Audit Committee and the Shareholders'/Investors' Grievance Committee details of which are provided herein below. We are in compliance with the requirements of SEBI circular bearing number SEBI/CFD/DIL/CG/1/2004 dated October 29, 2004, which notifies revised corporate governance guidelines, by the required date (currently notified as December 31, 2005) for listed entities like our Company.

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

(a) Audit Committee;

(b) Shareholders'/ Investors' Grievance Committee;

(c) Remuneration Committee;

(d) Committee of Directors;

(e) Disinvestment Committee.

1) AUDIT COMMITTEE

The Audit Committee comprises of Shri. J. P. Kundra as Chairman and Dr. Rajaram Jaipuria, Shri Ashok Chopra and Dr. H. P. Bhattacharya as members.

The Audit Committee is authorised to exercise all powers as specified in Section 292A of the Companies Act, 1956 and listing agreement with the Stock Exchanges. The said Committee reviews reports of the Internal Auditors, meets Statutory Auditors and Internal Auditors periodically to discuss their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters and reviews major accounting policies followed by the Company. The minutes of the Audit Committee meetings are circulated to and noted by the Board of Directors.

2) SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee comprises of Shri. M. P. Wadhawan as Chairman and Shri Shishir Jaipuria and Dr. H. P. Bhattacharya as members.

The Committee has been formed to look into redressal of shareholders' / Investors' complaints relating to transfer of shares, non receipt of Balance Sheet, non receipt of dividend or any other matters, as also to approve requests requiring issue of new share certificates.

3) REMUNERATION COMMITTEE

The Remuneration Committee comprises of Shri M. P. Wadhawan as Chairman and Shri J. K. Bhagat and Shri Ashok Chopra as members.

The Committee has been constituted to exercise all powers specified in the Companies Act 1956 and the listing agreement with the Stock Exchanges in relation to the appointment and remuneration of Executive Directors.

4) COMMITTEE OF DIRECTORS

The Committee of Directors comprises of Dr. Rajaram Jaipuria as Chairman and Shri Shishir Jaipuria and Shri Ashok Chopra as Members.

The Committee has been constituted to take decisions in all matters relating to the management of the Company except those required to be considered and approved by the Board of Directors under the provisions of the Companies Act, 1956.

5) DISINVESTMENT COMMITTEE

The Disinvestment Committee comprises of Dr. Rajaram Jaipuria as Chairman and Shri Gian Prakash and Shri M. P. Wadhawan as Members.

The Committee has been constituted to take decisions about sale of investments such as number of shares to be sold, negotiation of price and other terms and conditions for sale of such investments.

Shareholding of Directors

Sl. No.	Name	No. of Shares
1.	Dr. Rajaram Jaipuria	1000
2.	Shri Shishir Jaipuria	1700
3.	Shri J. K. Bhagat	140

Note: As per the Articles of Association of the Company, a director is not required to hold any qualification share in the Company.

Interest of the Directors

Except as stated in "Related Party Transactions" on page 156 of the DRHP, and to the extent of shareholding in the Company, the directors do not have any other interest in the Company. The directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page 125 of the DRHP and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also directors do not have any other interest in the Company.

All directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in the their respective declarations.

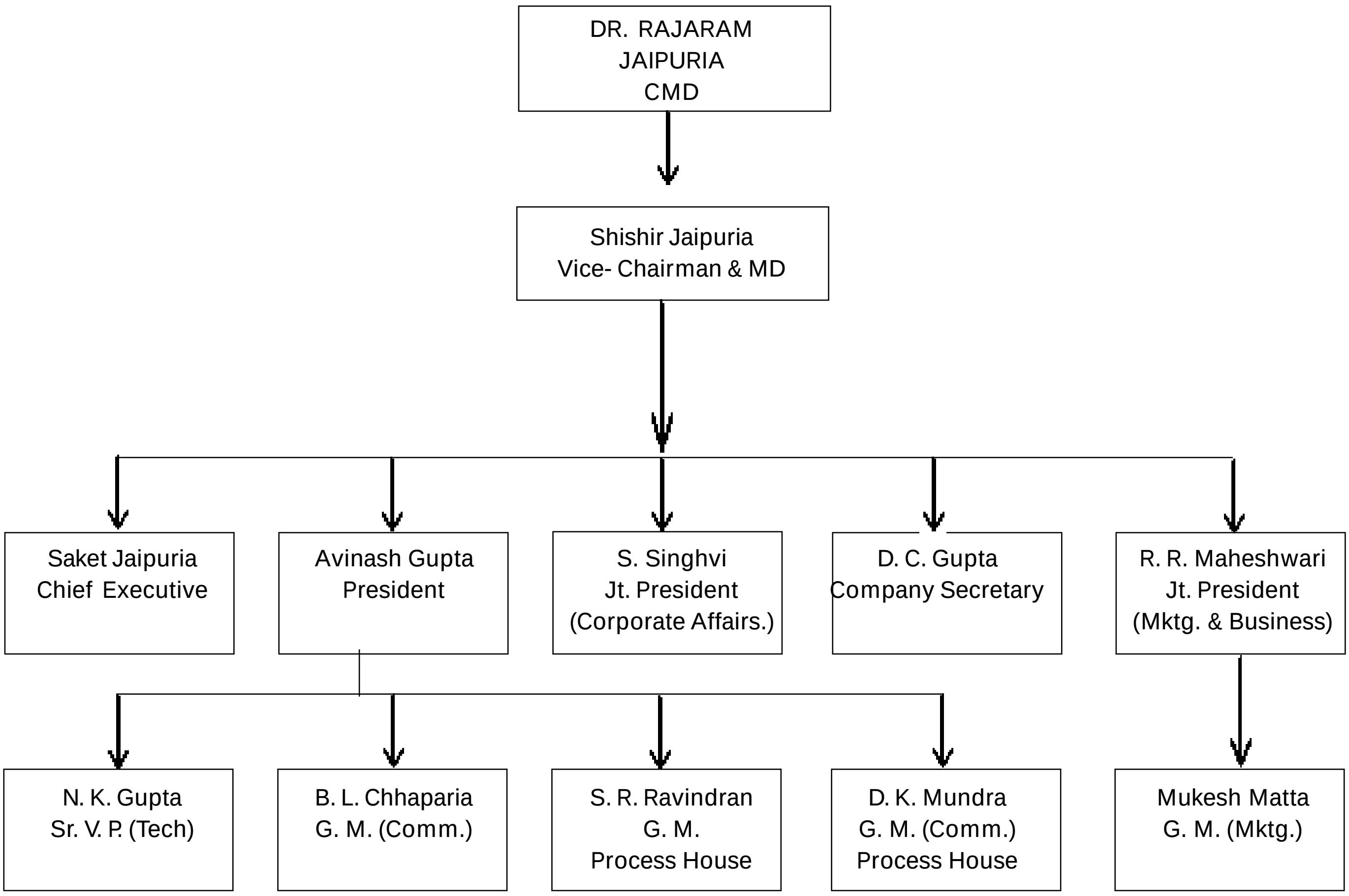
Name & Address	Other Directorship and Partnership
Dr. Rajaram Jaipuria	1. Ginni Power Ltd 2. Ganesh Synthetics Pvt. Ltd. 3. Lahoti Mercandise Pvt Ltd. 4. Ginni Nonwoven Pvt Ltd. 5. The India Thermit Corp. Ltd. 6. Apex Infocom Services Pvt. Ltd. 7. Abhinav Investment Pvt. Ltd.
Shri Shishir Jaipuria	1. Ginni Power Ltd. 2. Ganesh Synthetics Pvt. Ltd. 3. Lahoti Mercandise Pvt Ltd. 4. Ginni Nonwoven Pvt Ltd. 4. Apex Infocom Services Pvt. Ltd. 5. Abhinav Investment Pvt. Ltd.
Shri J. K. Bhagat	1. Aekta Limited 2. Bhagat Refinerers & Chemicals Ltd. 3. The Naihati Jute Mills Co. Ltd. 4. Tyroon Tea Company Limited 5. Ludlow Exports Ltd. 6. Shiva Mercantile & Trading Co. Pvt. Ltd. 7. Dhanlaxmi Trading Corporation Pvt. Ltd. 8. Banshidhar Ghanshyamdass Pvt. Ltd. 9. Capstan Wire Products Pvt. Ltd.
Shri M. P. Wadhawan	1. R.L. F. Ltd.
Shri Gian Prakash	——-
Shri J. P. Kundra	1. Creditcapital Asset Management Co. Ltd. 2. Ratnabali Capital Markets Ltd. 3. Delfin Finance Ltd. 4. South Asian Petrochem Ltd. 5. Alps Industries Ltd.
Shri Ashok Chopra	1. Jain Chopra & Company (Partnership firm)
Dr. H. P. Bhattacharya	——-
Shri Rattan Bansal	1. U.P. Hotels Ltd. 2. Can Bank Computer Services Ltd.

The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Sudhir Verma	-	05.12.2003	Withdrawal of nomination by IFCI Ltd.
Mr. Rattan Bansal	28.07.2004	-	Nominee of IFCI Ltd.

Management Organisation Structure

Our management organisation structure is set forth below:



Details regarding Key Management Personnel

Name & Designation	Qualification / Experience in Industry	Date of joining	Details of Previous employment	Gross Remuneration. Rs. Lac
Shri Saket Jaipuria Chief Executive	B.S. in Business Administration from Carnegie Mellon University, Pittsburgh, USA (Experience: 2 year)	09.01.2004	• First Appointment	4.21
Shri Avinash Gupta President	B.Tech (Text. Tech.), IIT Delhi (Experience: 32 years)	21.08.2003	• ATIRA – Ahmedabad as Assistant Director (1973–1989) • Elite Textile Ind. Nigeria Ltd., Nigeria (1990-1995) • Maikaal Fibres Limited as Chief Executive (Corporate) (1996-2003)	7.85 Car, Driver & Accomodation
Shri S. Singhvi Jt. President (Corporate Affairs)	B.Com. (Hon), LL.B., CA (Experience: 13 years)	18.08.1992	• Maihar Cement (A unit of Century Spinning & Weaving Mills Limited) as Sr. Accounts Officer / Sr. Sales Officer (1977 – 1982) • Delton Cables Limited as Accounts Executive (1982- 1983) • Swadeshi Polytex Limited as Jr. Vice President (Comm.) (1983-1992)	9.70 Car
Shri R.R.Maheshwari Jt. President (Mkg. & Business Development)	B.E. (Hons.), ICWAI, MBA (Experience: 6 years)	08.03.1999	• Swadeshi Polytex Limited as Manager (1975-1988) • Cimco Limited as Dy. General Manager (1988-1992) • Ester Industries Limited as Vice President (1992-1999)	8.60 Car & Accomodation
Shri N.K.Gupta Sr. V. P. (Technical)	M. Text., P.G. Dip. (Mkg. & Sales Mgt.) (Experience: 21 years)	01.02.1999	• GMT (A Unit of Vardhman Spinning & General Mills Limited) as Technical Chief (1984 – 1991) • Maral Overseas Limited (Indore) Technical Chief (1991 – 1994) • Gontermann Peipers India Limited, Technical Chief (1997 – 1999) • Nagareeka Exports (1995 – 1999)	5.68 Accomodation
Shri D.C.Gupta Company Secretary	B. Sc., M.A. (Eco.). LL.B, FCS (Experience: 11 years)	10.06.1994	• Swadeshi Polytex Limited, Asstt. Company Secretary (1982-1988) • Maharashtra Seamless Limited, Company Secretary (1988-1994)	6.94 Car

Name & Designation	Qualification / Experience in Industry	Date of joining	Details of Previous employment	Gross Remuneration. Rs. Lac
Shri B.L.Chhaparia G.M.(Comm.)	M.A. (Experience: 31 years)	01.09.1990	• Swadeshi Cotton Mills Co. Limited Kanpur, Accounts Officer (1962-1988) • Fidelia Construction Co. Ltd., Manager Finance (1988-1989) • Gyanodaya Prakashan (I) Ltd., Dy. General Manager (1989-1990)	4.75 Accomodation
Shri S.R.Ravindran G.M. (Process House)	M.Sc. (Experience: 19 years)	14.01.2005	• Crystal Knit Process (P) Ltd., Tirupur, Factory Manager (1986-1995) • Bridgway Textiles (P) Ltd., Tirupur, General Manager (1995-1997) • Divyar Processing Limited, Tirupur, General Manager (1997-2000) • Shivalik Global Limited, Faridabad, Sr. General Manager (Processing) (2000-2001) • Maral Overseas Limited, General Manager (Processing) (2001-2005**)**	5.65 Accomodation
Shri D.K.Mundra G.M.(Comm.) (Process House)	B.Com., FCA (Experience: 14 years)	09.02.2005	• Shree Cement Limited (1983-1991) • Hind Spinners (Division of Hind	6.45
Shri Mukesh Matta G.M. (Mkg.)	B.Tech. (Text.), MBA (Experience: 13 years)	14.05.2005	• Pasupati Spinning & Weaving Mills Ltd., Marketing Manager (1992-1999) • Shivalik Global Limited, DGM (Marketing) (1999- 2001) • Pratibha Syntex Limited, DGM (Marketing) (2001-2005)	6.14

The abovementioned Key Managerial Employees are in the rolls of the Company as permanent employees.

Shareholding of Key Managerial Employees

The following table details the shareholding of our key managerial employees prior to the Issue:

Name	No. of shares
Shri Saket Jaipuria	114900
Shri Avinash Gupta	1000
Shri D. C. Gupta	100
Shri B. L. Chhaparia	200

The changes in our key managerial employees during the last three years are as follows:

Name of Employee	Designation	Date of Appointment	Date of Resignation	Reason for Change
Shri Saket Jaipuria	Chief Executive	09.01.2004	-	
Shri Avinash Gupta	President	21.08.2003	-	
Shri S.R.Ravindran	G.M.(Process House)	14.01.2005	-	
Shri D.K.Mundra	G.M. (Comm.) process House	09.02.2005	-	
Shri Mukesh Matta	G.M.(Marketing)	14.05.2005	-	
Shri P.C.Jain	President	01.06.2000	03.09.2003	Better prospects
Shri D. Das	G.M.(R&D)	26.02.2001	20.04.2004	Better prospects
Shri Rajesh Bindal	G.M.(Knitting)	20.09.2001	31.08.2004	Family Problem

Employees Share Purchase Scheme/Employee Stock Option Scheme

The Company does not have any Employees Stock Option Scheme as on date.

Payment or benefit to Officers of the Company (non-salary related)

Currently, the Company does not have a performance-linked bonus or profit-sharing scheme for the employees. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment. The Company has issued shares to the employees on the following occasions:

1. 16,800 shares were allotted in the Initial Public Offering on 14-07-1990 at the Issue Price of Rs. 10 per share.
2. 14,971 shares that were forfeited vide board resolution passed on 7.01.1998 on account of failure to deposit the allotment money on shares allotted pursuant to the Rights Issue dated 12-03-1993. The said shares were sold to the employees as fully paid shares vide Board resolution passed on 30.01.1998 at a price of Rs. 5 per share.

IV.5 OUR PROMOTERS AND GROUP COMPANIES

Dr. Rajaram Jaipuria

Age	:	71 years
PAN	:	ACFPJ4858E
Passport No.	:	Z-126357
Bank Account No.	:	007010100185080
Voter ID	:	DL/02/010/033350
Driving License No.	:	78658/2003D/C30/7/88

Mr. Shishir Jaipuria

Age	:	48 years
PAN	:	AANPJ5672K
Passport No.	:	Z-127393
Bank Account No.	:	007010100144834
Voter ID	:	Applied for
Driving License No.	:	22681/89

Dr. Rajaram Jaipuria has a Doctorate in Economics. He is associated with the Textile Industry for over 50 years and has served as the Chairman of several prominent Companies viz. The Pioneer Limited, Swadeshi Polytex Limited, Swadeshi Mining & Mfg. Co. Ltd. and as Managing Director of Swadeshi Cotton Mills Co. Ltd. He is a former Chairman of CITI earlier known as Indian Cotton Mills Federation (ICMF) and is a Committee Member of Federation of Indian Chamber of Commerce & Industry (FICCI). Dr. Jaipuria's other interests include education, social welfare and other philanthropic activities.

Shri Shishir Jaipuria, B.Com., LLB. has about 15 years of experience in the Textile Industry. He has served as the Managing Director of The Pioneer Limited and as an Executive Officer of Swadeshi Cotton Mills Co. Ltd. He is the President of Northern India Textile Mills' Association (NITMA) and is a Co-Chairman of UP Committee of PHD Chamber of Commerce & Industry and Executive Member of Indian Cotton Mills Federation and TEXPROCIL.

The Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the Stock Exchanges on which securities are proposed to be listed.

Relationship between the Promoters, Directors and Key Managerial Personnel

Dr Rajaram Jaipuria, Mr. Shishir Jaipuria and Mr. Saket Jaipuria are related to each other.

- Mr Saket Jaipuria is the son of Mr. Shishir Jaipuria
- Mr. Shishir Jaipuria is the son of Dr. Rajaram Jaipuria

Other than this, there is no relationship between any Promoters, Directors and Key Management Personnel of the Company.

Shareholding Pattern

Sr. No.	Name of Promoters/ Promoter Group	Number of Equity Shares of Re.10 each	% of fully paid-up share capital
1.	Dr. Rajaram Jaipuria	1,000	0.003
2.	Mrs. Suniti Devi Jaipuria	144,000	0.436
3.	Mr. Shishir Jaipuria	1,700	0.005
4.	Mr. Shishir Jaipuria (HUF)	143,500	0.435
5.	Mrs. Sunita Jaipuria	1,500	0.005
6.	Mr. Saket Jaipuria	114,900	0.348
7.	Master Yash Jaipuria	12,000	0.036
8.	Mr. Sharad Jaipuria	1,700	0.005
9.	Mr. Sharad Jaipuria (HUF)	1,500	0.005
10.	Ganesh Synthetics Private Limited	1,386,200	4.200
11.	Abhinav Investments Private Limited	4,931,190	14.943
12.	Shishir Finstock Private Limited	54,000	0.164
13.	Ginni Power Limited	27,100	0.082
14.	Lahoti Merchandise Private Limited	63,700	0.193
15.	Apex Infcom Services Private Limited	90,000	0.273
16.	Sriram Holding Ltd.	16,486,099	49.958
	Total	**23,460,089**	**71.091**

DETAILS ABOUT PROMOTER COMPANIES

1. Lahoti Mercandise Private Limited

Date of Incorporation : 27th February, 1991

Date of Commencement of Business : 27th February, 1991

Nature of Activity : Finance and investment activities

Name of Directors

Dr. Rajaram Jaipuria

Shri Shishir Jaipuria

Smt. Sunita Jaipuria

Historical Information

The Company was originally promoted by Shri Vinod Kumar Jajoo and Shri Beni Gopal Mundra to undertake the business of finance and investment and after incorporation commenced such activities. Subsequently, in compliance of the guidelines issued by the Reserve Bank of India company was registered as Non Banking Finance Company.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	99.93	7.30	14.98
PAT	0.27	0.13	1.78
Share Capital	59.86	59.86	222.50
Net Worth	100.15	100.27	227.19
EPS (Rs.) Basic	0.05	0.02	0.08
NAV (Rs.)s	16.73	16.75	10.22

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

Company No. 20-29293

Authorised Capital :	Rs.3,20,00,000
Paid-Up Capital :	
Equity Shares	Rs.2,10,00,000
Non-Cumulative Preference Shares	Rs.12,50,000

List Of Shareholders As On 30th September, 2005

S NO.	NAME	NO. OF SHARES
1	Dr. Rajaram Jaipuria Jt. Shri Jugal Kishore Bhagat	350
2	Smt. Suniti Devi Jaipuria	1054725
3	Shri Shishir Jaipuria	40000
4	Smt. Sunita Jaipuria	196000
5	Shri Shishir Jaipuria (Huf)	377725
6	Shri Saket Jaipuria	210000
7	Yash Jaipuria (Minor)	220500
8	Dr. Rajaram Jaipuria (Huf) Jt. Shri Ravi Bhagat	350
9	Smt. Sunita Jaipuria Jt. Shri Ashutosh Bhagat	350
	Total	2100000
10% Non-Cumulative Fully Convertible Preference Shares		
1	Ganesh Synthetics Pvt Ltd	125000
	Total	125000

2. Apex Infocom Services Private Limited

Date of Incorporation : 4^{th} October, 1995.

Date of Commencement of Business : 4^{th} October, 1995

Nature of Activity : Finance and investment activities

Name of Directors

Dr. Rajaram Jaipuria

Shri Shishir Jaipuria

Smt. Suniti Devi Jaipuria

Historical Information

The Company was originally promoted by Shri Tapan Majumder and Shri Niraj Kumar Jalan to undertake the activities relating to telecommunication. Subsequently, company commenced finance and investment activities. In compliance of the guidelines issued by the Reserve Bank of India company was registered as Non Banking Finance Company.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	**For the year ended March 31**		
	2003	**2004**	**2005**
Total Income	177.14	132.11	18.22
PAT	0.01	0.51	6.82
Share Capital	65.87	65.87	78.50
Net Worth	133.55	134.14	266.40
EPS (Rs.) Basic	—	0.07	1.03
NAV (Rs.)	20.27	20.36	38.47

Company No.: 20 - 29292

Authorised Capital Rs.78,50,000

Paid-Up Capital :

Equity Shares Rs.66,00,000

Non-Cumulative Preference Shares Rs.12,50,000

Rs.78,50,000

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

List Of Promoters Shareholding As On 30th September, 2005

S No.	NAME	NO. OF SHARES
1	Dr. Rajaram Jaipuria	100
2	Smt. Suniti Devi Jaipuria	331300
3	Shri Saket Jaipuria	125000
4	Yash Jaipuria (Minor)	124800
5	Mrs Sunita Jaipuria	78700
6	Shri Shishir Jaipuria	100
	Total	660000
10% Non-Cumulative Fully Convertible Preference Shares		
1	Abhinav Investments (P) Ltd	125000
	Total	125000

3. Ginni Power Limited

Date of Incorporation	:	23rd April, 1983
Date of Commencement of Business	:	1st June, 1983
Nature of Activity	:	Presently the Company is not engaged in any manufacturing activity. The Company presently provides consultancy on power projects and is making efforts to implement the power Project.

Company No. 55-15601

Authorised Capital Rs. 75,00,000

Paid-Up Capital Rs. 27,50,000

Name of Directors

Dr. Rajaram Jaipuria

Shri Shishir Jaipuria

Shri Suresh Singhvi

Historical Information

Ginni Power Ltd. was earlier known as Asif Finance & Investment Company Ltd. and was a NBFC. As per statutory requirements Asif Finance & Investment Company Ltd. filed an application in July 1997 with the RBI for registration as NBFC. Name of Asif Finance & Investment Company Ltd. was changed to Ginni Power Ltd. in September 1997. Subsequently Ginni Power Ltd. in view of change in proposed business activities made another application for withdrawal of said application in the year 2001. Ginni Power Ltd. further furnished necessary information and documents in this regard as required by RBI. Subsequently, in view of the application for withdrawal by Ginni Power Ltd. RBI issued its order dated 07.01.2003 rejecting its application made in July 1997 on the basis of this request.

Financial performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	1.26	1.02	1.47
PAT	0.15	0.07	0.16
Share Capital	27.50	27.50	27.50
Net Worth	27.13	27.21	27.36
EPS (Rs.) Basic	0.06	0.03	0.06
NAV (Rs.)	9.87	9.89	9.95

Shareholding Pattern

The Promoter group of GFL holds 89.14% of the share capital.

List Of Promoters Shareholding As On 30th September, 2005

S No.	NAME	NO. OF SHARES
1	Abhinav Investments Pvt Ltd	134500
2	Ganesh Synthetics Pvt Ltd	37000
3	Ginni Nonwoven Pvt Ltd	124500
4	Apex Infocom Services Pvt Ltd	40000
5	Lahoti Mercandise Pvt Ltd	40000
6	Dr. Rajaram Jaipuria	21500
7	Smt. Suniti Devi Jaipuria	20000
8	Shishir Jaipuria	5000
9	Smt. Sunita Jaipuria	5000
10	Yash Jaipuria	8000
11	Saket Jaipuria	10000
12	Smt. Archana Khaitan	200
	Total	4,45,700

Information about Share Price

Ginni Power Limited is currently listed on Delhi Stock Exchange but its shares have not been traded on the stock exchange for more than last 10 years. The last traded price on 27.05.1994 was Rs. 4.00.

Mechanism for redressal of investor grievance

The Board of Directors look into Ginni Power Limited investor’s grievances. However, in the past 10 years there has not been any complaint from the shareholders.

4. Abhinav Investments Private Limited

Date of Incorporation : 2nd July, 1986.

Date of Commencement of Business : 2nd July, 1986

Nature of Activity : Finance and investment activities

Name of Directors

Dr. Rajaram Jaipuria

Smt. Sunita Jaipuria

Smt. Suniti Devi Jaipuria

Shri Shishir Jaipuria

Shri Bharat K. Khaitan

Historical Information

The Company was originally promoted by Shri Raghunandan Neotia, Shri Anil Neotia and Shri Anup Neotia to undertake the business of finance and investment and after incorporation commenced such activities. Subsequently, in compliance of the guidelines issued by the Reserve Bank of India company was registered as Non Banking Finance Company.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	**For the year ended March 31**		
	2003	**2004**	**2005**
Total Income	43.86	16.09	178.67
PAT	(7.76)	(3.03)	46.05
Share Capital	1050.00	1050.00	1050.00
Net Worth	1090.12	1087.08	1133.13
EPS (Rs.) Basic	—	—	0.44
NAV (Rs.)	10.38	10.35	10.79

This is an investment company. It received no dividend income during the years 2002-03 and 2003-04, hence incurred losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

Company No. 20-8004

Authorised Capital : Rs.10,70,00,000

Paid-Up Capital : Rs.10,50,00,000

List Of Promoters Shareholding As On 30th September, 2005

S No.	NAME	NO. OF SHARES
1	Smt. Suniti Devi Jaipuria	7000
2	Smt. Sunita Jaipuria	6800
3	Shri Saket Jaipuria	100
4	Yash Jaipuria	100
5	Sriram Holding Ltd	2736000
6	Apex Infocom Services Pvt Ltd	7750000
		10,50,0000

5. Ganesh Synthetics Private Limited

Date of Incorporation : 17th January, 1980

Date of Commencement of Business : 17th January, 1980

Nature of Activity : Finance and investment activities

Name of Directors

Dr. Rajaram Jaipuria

Smt. Suniti Devi Jaipuria

Shri Shishir Jaipuria

Shri Bharat K. Khaitan

Shri Bharat Hari Dalmia

Historical Information

The Company was originally promoted by Shri Jagendra Swarup, Shri Alok Nagory and Shri Kanhaiya to undertake the business of natural synthetics and blended yarn and other related goods. Subsequently, company commenced finance and investment activities. The Company was registered with Reserve Bank of India as NBFC as per guidelines issued in this regard.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	13.38	6.43	22.75
PAT	(0.61)	(8.40)	1.61
Share Capital	160.00	160.00	160.00
Net Worth	169.87	161.48	163.09
EPS (Rs.) Basic	—	—	0.10
NAV (Rs.)	10.62	10.09	10.19

This is an investment company. It received no dividend income during the years 2002-03 and 2003-04, hence incurred losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

Company No. 20-4913

Authorised Capital : Rs.1,60,00,000

Paid-Up Capital : Rs.1,60,00,000

List Of Promoters Shareholding As On 30th September, 2005

S No.	NAME	NO. OF SHARES
1	Dr. Rajaram Jaipuria	3300
2	Smt. Suniti Devi Jaipuria	11900
3	Shri Shishir Jaipuria	20000
4	Shri Shishir Jaipuria (Huf)	18400
5	Smt. Sunita Jaipuria	54400
6	Shri Saket Jaipuria	1800
7	Yash Jaipuria	400
8	Abhinav Investments Pvt Ltd.	751650
9	Dr. Rajaram Jaipuria (Huf)	79800
10	Lahoti Mercandise Pvt Ltd	658350
	Total	1600000

6. Sriram Holding Ltd.

Date of Incorporation : 10.08.1993

Date of Commencement of Business : 10.08.1993

Nature of Activity : Finance and Investment

Name of Directors

Thierry Regis Antoine Harold Chellen

Marie Angelo Clarel Benoit

Historical Information

The company was incorporated in the Republic of Mauritius, under the Mauritian Companies Act, as a private company with limited liability. The Company was originally promoted by Mr. Ramanuj Nathoo and Mr. Bhupendra Dutt Boodhoo to undertake finance and investment activities.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Amount in US $)

Particulars	For the year ended June 30		
	2002	2003	2004
Total Income	0	0	0
PAT	(6563)	(7961)	(10,045)
Share Capital	5000	5000	5000
Net Worth	270,779	262,818	252,773
EPS	—	—	—
NAV	54.15	52.56	50.55

This is an investment company and Ginni Filaments Ltd forms a large proportion of its total investment portfolio. Since GFL has not declared dividend in the financial years ending 31 March 2001, 2002 and 2003, Shriram Holding ltd incurred losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL has no shareholding in this company. The entire capital of the Company is being held by Intermutual Services Limited.

7. Shishir Finstock Private Limited

Date of Incorporation	:	19th April 1991
Date of Commencement of Business	:	19th April 1991
Nature of Activity	:	Finance and Investment activities

Name of Directors

Shri. Sharad Jaipuria

Smt. Anjali Jaipuria

Shri. Arun Agarwal

Historical Information

The Company was originally promoted by Shri R. P Agarwal and Shri O. P. Darolia to undertake finance and investment activities.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	8.68	10.75	8.12
PAT (Loss)	1.57	0.97	(1.37)
Share Capital	1281.60	1291.60	1291.60
Net Worth	1297.21	1312.80	1311.43
EPS (Rs.) basic	0.01	0.01	(0.01)
NAV (Rs.)	10.12	10.16	10.15

Company registration No.	:	20-13061
Authorised Capital	:	Rs. 1500 Lac
Paid up capital	:	Rs. 1291.60 Lac

Share Holding Pattern

S No.	NAME	NO. OF SHARES
1	Deka Holding (Mauritius) Ltd.	12319000
2	Pitambari Engineers Pvt. Ltd.	380000
3	Shri. Shreevats Jaipuria	88400
4	Shri. Sharad Jaipuria (HUF)	78000
5	Shri. Sharad Jaipuria	41700
6	Chitwan Jaipuria	8800
7	Smt. Anjali Jaipuria	100
	Total	**12916000**

The Permanent Account Numbers, Bank Account Numbers, Company Registration Numbers and the addresses of the Registrars of Companies where the Companies are registered have been submitted to the Stock Exchanges on which securities are proposed to be listed.

Common Pursuits

There are no common pursuits in the business of the Company and other companies promoted by the Promoter.

Interest of the Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in the Company.

The Promoters are not interested in any property acquired by GFL within two years from the date of the Red Herring Prospectus.

The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

Except as disclosed above and Related Party Transactions in Annexure XVI of the Section “Financial Statements”, the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

Payment or benefit to Promoters of the Company

There is no payment or benefit to the Promoters of the Company.

Related Party Transactions

For details of Related Party Transactions refer Annexure XVI of the Section “Financial Statements”

DETAILS ABOUT GROUP COMPANIES

8. Laxmi Texknit Pvt. Limited

Date of Incorporation : 9th July, 1991

Date of Commencement of Business : 9th July, 1991

Nature of Activity : Finance and investment activities

Name of Directors

Shri Suresh Singhvi

Shri D.C.Gupta

Shri Abhai Kumar Jain

Historical Information

The Company was originally promoted by Shri Ravinder Newatia and Shri Vijay Gupta to undertake the business of natural synthetics and blended yarn and other related goods. Subsequently, company commenced finance and investment activities. In compliance of the guidelines issued by the Reserve Bank of India company was registered as Non Banking Finance Company.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	**For the year ended March 31**		
	2003	**2004**	**2005**
Total Income	0.80	1.14	0.02
PAT	(0.49)	0.28	(0.29)
Share Capital	1.15	1.15	1.15
Net Worth	—	—	—
EPS (Rs.) Basic	—	—	—
NAV (Rs.)	—	—	—

This is an investment company. It received no dividend income during the years 2002-03 and 2004-05, hence incurred losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

9. Ginni Nonwoven Private Limited

Date of Incorporation : 19th April, 1991.

Date of Commencement of Business : 19th April, 1991

Nature of Activity : Presently the Company is not engaged in any manufacturing activity. However, it proposes to commence trading business in Nonwoven converted products.

Name of Directors

Dr. Rajaram Jaipuria

Shri Shishir Jaipuria

Shri Bharat K. Khaitan

Shri Suresh Singhvi

Historical Information

The Company was originally promoted by Shri Om Prakash Darolia and Shri Mahendra Kumar Shah to undertake the business of natural synthetics and blended yarn and other related goods. Presently the Company is not engaged in any manufacturing activity. However, it proposes to commence trading business in Nonwoven converted products.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	-	-	0.06
PAT	(0.11)	(0.08)	(0.03)
Share Capital	1.30	1.30	6.50
Net Worth	—	—	4.48
EPS (Rs.) Basic	—	—	—
NAV (Rs.)	—	—	6.89

The Company is not earning any income from its investments and as such incurring losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 99.94% of the share capital.

10. Kanpur Builders Private Limited

Date of Incorporation	:	16th January, 1989
Date of Commencement of Business	:	16th January, 1989
Nature of Activity	:	The Company is not engaged in any activity at present.

Name of Directors

Shri N.K.Indoria

Shri M.P.Dalmia

Shri Shailendra Agnihotri

Historical Information

The Company was originally promoted by Shri Arun Kumar Bhartiya and Shri N.P. Srivastava to undertake the business relating to real estate activities. At present company is not engagaed in any activity. Company's major source of income at present is interest on loans.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	-	0.72	2.40
PAT	(0.13)	(0.68)	1.26
Share Capital	10.00	41.00	41.00
Net Worth	6.89	37.21	38.47
EPS (Rs.) Basic	—	—	0.31
NAV (Rs.)	6.89	9.08	9.38

The Company did not earn any income for the years 2002-03 and 2003-04 from its investments and as such incurred losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

11. Jaipuria Brothers Limited

Date of Incorporation : 29th July, 1941

Date of Commencement of Business : 29th July, 1941

Nature of Activity : Presently no activities

Name of Directors

Shri B. S. Gupta

Shri O. P. Darolia

Shri K. P. Neotia

Shri M. P. Dalmia

Historical Information

The Company was originally promoted by Seth Gajadhar Jaipuria, Seth Puranmul Jaipuria, Seth Munturam Jaipuria and Seth Bhikraj Jaipuria in pre-partition period. Company has a land at Bhawani Mandi (Rajasthan) and efforts are being made to develop the said land.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Other Income	—	—	.02
PAT	(.08)	(.17)	(.09)
Share Capital	18.20	18.20	18.20
Net Worth	1.08	0.92	0.82
EPS (Rs.) Basic	—	—	—
NAV (Rs.)	0.59	0.51	0.45

The Company is not earning any income from its investments and as such incurring losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 55.01% of the share capital.

12. C. P. Properties Limited

Date of Incorporation : 28.03.1946

Date of Commencement of Business : 28.03.1946

Nature of Activity : Dealing in Properties

Name of Directors

Shri Bharat Hari Dalmia

Shri K. P. Neotia

Shri O. P. Darolia

Historical Information

The Company was originally promoted by Rai Saheb Puranmull Jaipuria, Shri Ghanshyamdas Loyalka, Shri Prabhu Dayal Himatsingka, Shri Mungturam Jaipuria, Shri Kishenlall Poddar, Rai Saheb Madholal Tulsidas and Shri Nemichand Suwalal Patni to undertake the business relating to real estate activities. Company's main source of income is by way of rental income.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Other Income	3.21	3.76	3.32
PAT	(1.90)	(2.19)	(2.32)
Share Capital	15.00	15.00	15.00
Net Worth	1.06	—	—
EPS (Rs.) Basic	—	—	—
NAV (Rs.)	7.06	—	—

The main source of income for C. P Properties Ltd is by way of rental income. Some of the tenants of the leased property in Kolkatta have been depositing the rents with the Rent Control Authorities, which has not been considered as income. Therefore this company has incurred losses on account of establishment expenses.

Shareholding Pattern

The Promoter group of GFL holds 73.58% of the share capital.

13. Shree Bhawani Anand Pvt. Ltd.

Date of Incorporation : 06.07.1943

Date of Commencement of Business : 06.07.1943

Nature of Activity : Agricultural activities

Name of Directors

Shri B. S. Gupta

Shri K. P. Neotia

Shri Anil Kumar Mishra

Historical Information

The Company was originally promoted by Rai Bahadur Bhaya Shadilalji Sahab Dewan, Rai Saheb Sheth Puranmull Jaipuria, Seth Bhikhraj Jaipuria, Sheth Puranmull Bubna and Shri Mahabir Prasad Shah to undertake the business of agricultural activities. Company's sources of income include sales of agriculture produce and rent.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	**For the year ended March 31**		
	2003	**2004**	**2005**
Total Income	0.50	0.78	0.15
PAT	(0.18)	0.23	(0.22)
Share Capital	11.00	11.00	11.00
Net Worth	—	0.05	—
EPS (Rs.) Basic	—	0.21	—
NAV (Rs.)	—	0.05	—

The losses incurred have been on account of establishment expenses being higher than the income booked from agricultural produce and rent.

Shareholding Pattern

The Promoter group of GFL holds 76.76% of the share capital.

14. Katpadi Vincom Pvt. Ltd.

Date of Incorporation : 21st March 1995

Date of Commencement of Business : 21st March 1995

Nature of Activity : Finance and Investments activity

Name of Directors

Shri B. S. Gupta

Shri N. K. Indoria

Shri Amit Agarwal

Historical Information

The Company was originally promoted by Srhi P. Delia and Shri P. Jalan to undertake various activities including business relating to petroleum products, textiles, etc. Subsequently, company commenced finance & investment activities. In compliance of the guidelines issued by the Reserve Bank of India company was registered as Non Banking Finance Company.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Total Income	1.82	5.37	5.35
PAT	0.01	0.02	0.02
Share Capital	49.94	111.04	111.04
Net Worth	49.88	1271.93	1271.98
EPS (Rs.)	—	—	—
Book Value per share (Rs.)	9.99	114.55	114.55

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital.

15. Kanpur Constructions Pvt. Ltd.

Date of Incorporation : 17.03.2005

Date of Commencement of Business : 21.03.2005

Nature of Activity : Presently no activities

Name of Directors

Shri O. P. Darolia

Shri Shailendra Agnihotri

Historical Information

The Company was originally promoted by Shri Om Prakash Darolia and Shri Shailendra Agnhotri to undertake the business of all types of building construction and other related works. After incorporation Company commenced construction activities.

The provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 were duly complied with.

Financial Performance

(Rs. in lacs)

Particulars	For the year ended March 31 2005
Total Income	—
PAT	—
Share Capital	1.00
Net Worth	.70
EPS (Rs.) Basic	—
NAV (Rs.)	7.00

Shareholding Pattern

The Promoter group of GFL holds 100% of the share capital

Disassociation of Promoters from any Company within the last three years

The promoters have disassociated from Yash Technology Pvt. Ltd by divesting their entire shareholding in view of the fact that the Company was not carrying out any significant business activity.

IV.6 EXCHANGE RATES

Conversion of foreign currency amounts into equivalent rupee amounts has been done as per Accounting Standard 11 i.e. “Effects of changes in foreign exchange rates” issued by the Institute of Chartered Accountants of India.

IV.7 CURRENCY OF PRESENTATION

In this Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million”. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

All references to “Rupees” and “Rs.” in this Prospectus are to the legal currency of India.

IV.8 DIVIDEND POLICY

The declaration and payment of dividends on our equity shares is recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial condition. The dividend and dividend tax paid by the Company during the last five fiscal years is presented below.

Financial Year	Dividend %	Dividend per share (Rs.)	Dividend Amount (Rs. in lacs)	Dividend Tax (Rs. in lacs)	No. of shares	Class of Shares
2000-2001	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2001-2002	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2002-2003	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2003-2004	7.50	0.75	247.50	31.71	33000000	Equity shares of Rs.10/-each
2004-2005	7.50	0.75	247.50	34.71	33000000	Equity shares of Rs.10/-each

Dividend is paid after obtaining due approvals from the lending financial institutions/banks.

V. FINANCIAL STATEMENTS

V.1 FINANCIAL INFORMATION OF THE COMPANY

AUDITORS' REPORT

P. L. GUPTA & CO.
Chartered Accountants

Phone: 2365756
26/52, Birhana Road
KANPUR – 208 001
Fax: 0512-2365756
e-Mail:plguptaknp@yahoo.co.in

The Board of Directors
Ginni Filaments Limited
110 K.M.Stone
Delhi- Mathura Road
Chhata -281 401
Distt- Mathura (U.P.)

1. We have examined and found correct the annexed financial information of Ginni Filaments Limited for the financial years ended 31st March, 2001, 31st March, 2002, 31st March, 2003 audited by another firm of Chartered Accountants and for the year ended 31st March, 2004, 31st March, 2005 and further for a period of three months ended on 30th June, 2005 being the last date to which the accounts of the Company have been made up and audited by us.
2. The said financial information has been drawn up by the Company in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time and in accordance with the instructions dated June 3, 2005 received from the Company requesting us to carry out work for the purpose of disclosure in the offer document being issued by the Company in connection with its public issue of Equity Shares.
3. We report that:-
   a. The restated profits/losses of the Company for the financial years ended 31st March 2001, 2002, 2003, 2004, 2005 and three months period ended on 30th June, 2005 are as set out in Annexure I to this report. These profits/losses have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Polices and Notes on Accounts appearing in Annexure IV and V respectively to this report.
   b. The restated assets and liabilities of the Company as at 31st March 2001, 2002, 2003, 2004, 2005 and 30th June 2005 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Polices and Notes on Accounts appearing in Annexure IV and V respectively to this report.
   c. We have also examined the restated cash flow statement relating to the Company for the years ended 31st March, 2001, 2002, 2003, 2004, 2005 and for three months period ended on 30th June, 2005 as appearing in Annexure-III to this report.
   d. The rates of dividends paid by the Company in respect of the financial years ended 31st March, 2001,2002,2003,2004, 2005 and for three months period ended on 30th June, 2005 are as shown in Annexure VI to this report.
4. We have also examined the following financial information relating to the Company prepared by the Management for the purpose of inclusion in the offer document.
   i. Capitalization Statement as at 30th June, 2005 as appearing in Annexure VII to this report.
   ii. Statement of Accounting Ratios as appearing in Annexure VIII to this report.

iii. Statement of Other Income as appearing in Annexure IX to this report
iv. Statement of Sundry Debtors as appearing in Annexure X to this report.
v. Statement of Loans and Advances as appearing in Annexure XI to this report.
vi. Statement of Unsecured Loans as appearing in Annexure XII to this report.
vii. Statement of Secured Loans as appearing in XIII to this report.
viii. Statement of Quoted investments as appearing in Annexure XIV to this report.
ix. Statement of Tax Shelters as appearing in Annexure- XV to this report.
x. Statement of Related Party Disclosure as appearing in Annexure XVI to this report.
xi. Statement of Contingent Liabilities as appearing in Annexure XVII to this report.
xii. Statement of Exceptional Items as appearing in Annexure XVIII to this report.
xiii. Statement of Qualification appearing in the Auditors' Reports as given in Annexure XIX to this report.
xiv. Statement of Expenditure incurred and Source of Finance on the proposed project upto 15th November, 2005 as appearing in Annexure XX to this report.

This Report is intended solely for your information and for inclusion in the offering Memorandum in connection with specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For P. L. GUPTA & CO.

(P. L. GUPTA)
Proprietor
(M.No.9444)

Camp : New Delhi
Dated : 1st December 2005

ANNEXURE-I

Statement of Profits and Losses, as restated

(Rupees in Lacs)

Particulars	Quarter ended 30/06/2005	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002	Year ended 31/03/2001
INCOME						
Sales:						
Of Products Manufactured by the Company	3845.69	18258.38	19816.40	17400.59	16660.78	17191.72
Of Products Traded by the Company	7.84	203.89	4.91	32.44	-	-
Other Income	14.10	137.62	83.63	95.90	56.02	134.42
Accretion(Decretion) in Stocks	238.20	(93.30)	258.01	(107.67)	(811.42)	773.36
Total	**4105.83**	**18506.59**	**20162.95**	**17421.26**	**15905.38**	**18099.50**
EXPENDITURE						
Raw Material Consumed/Cost of Trading Goods	2295.16	11699.45	12928.50	10566.47	9893.32	10981.98
Staff Costs	228.54	951.29	822.22	781.76	728.91	700.54
Other Manufacturing Expenses	541.20	2130.89	2241.09	2162.95	1845.36	2161.20
Administration Expenses	136.49	546.77	575.05	501.55	509.79	582.57
Selling and Distribution Expenses	196.83	828.85	745.11	807.00	774.58	796.99
Interest	213.52	851.47	882.45	973.11	1285.98	1654.92
Depreciation	269.74	1085.18	1065.44	1086.91	1090.67	1052.00
Miscellaneous Expenditure Written off	5.08	21.13	21.13	22.46	25.56	9.98
Total	**3,886.56**	**18,115.03**	**19,280.99**	**16,902.21**	**16,154.17**	**17,940.18**
Net Profit/(Loss) before Tax and Exceptional Items	**219.27**	**391.56**	**881.96**	**519.05**	**(248.79)**	**159.32**
Provision for Taxation						
- Current Tax	19.95	33.63	72.46	38.30	0.00	14.24
- Fringe Benefit Tax	3.36	0.00	0.00	0.00	0.00	0.00
- Deferred Tax	(78.11)	200.47	267.15	57.80	0.00	0.00
Net Profit/(Loss) after tax before Exceptional Items	274.07	157.46	542.35	422.95	(248.79)	145.08
Exceptional Items	17.75	45.38	24.69	(63.55)	(2.92)	87.33
Net Profit/(Loss) After Exceptional Items	291.82	202.84	567.04	359.40	(251.71)	232.41
Balance brought forward from previous year	643.46	722.83	435.00	275.60	527.31	594.90
Total	**935.28**	**925.67**	**1002.04**	**635.00**	**275.60**	**827.31**
Appropriations:						
Transfer to General Reserve	**-**	**-**	**-**	**200.00**	**-**	**-**
Debenture Redemption Reserve	-	-	-	-	-	300.00
Proposed Dividend	-	247.50	247.50	-	-	-
Tax on Proposed Dividend	-	34.71	31.71	-	-	-
Balance carried to Balance Sheet as restated	935.28	643.46	722.83	435.00	275.60	527.31
Total	**935.28**	**925.67**	**1002.04**	**635.00**	**275.60**	**827.31**

ANNEXURE-II

Statement of Assets and Liabilities, as restated

(Rupees in Lacs)

	Particulars	As AT					
		30/06/2005	**31/03/2005**	**31/03/2004**	**31/03/2003**	**31/03/2002**	**31/03/2001**
A.	**Fixed assets:**						
	Gross block	21413.99	21437.03	21030.02	21175.23	21230.17	20675.30
	Less : Accumulated Depreciation	9762.75	9536.66	8528.50	7476.41	6402.99	5383.45
	Net block	11651.24	11900.37	12501.52	13698.82	14827.18	15291.85
	Capital work in progress	3318.95	3013.54	3.54	6.38	0.00	8.68
		14970.19	**14913.91**	**12505.06**	**13705.20**	**14827.18**	**15300.53**
B.	**Investments**	**1027.56**	**1027.56**	**1027.56**	**1030.08**	**1030.08**	**1030.08**
C.	**Current assets, loans and advances**						
	Inventories	4763.60	4574.28	7855.01	4839.79	4428.34	4532.81
	Sundry debtors	1272.86	1350.50	1611.10	1146.16	1053.31	1143.95
	Cash and bank balances	404.87	471.02	223.52	89.00	112.66	278.28
	Loans and advances	1254.83	1135.67	991.03	809.58	720.59	742.53
		7696.16	**7531.47**	**10680.66**	**6884.53**	**6314.90**	**6697.57**
D.	**Liabilities and Provisions**						
	Secured loans	12136.10	12559.06	12806.15	12193.38	12405.32	13094.19
	Unsecured loans	715.15	695.39	392.28	244.49	180.06	178.14
	Current liabilities and Provisions						
	- Sundry liabilities	1144.16	780.12	1835.82	1069.03	1893.54	1721.16
	- Provisions	685.20	651.88	538.65	51.64	16.02	15.11
		14680.61	**14686.45**	**15572.90**	**13558.54**	**14494.94**	**15008.60**
E.	**Net Worth before Deferred Tax Liability (A+B+C-D)**	9013.30	8786.49	8640.38	8061.27	7677.22	8019.58
F.	**Deferred Tax Liability**	1926.33	2004.44	1803.97	1536.82	287.66	0.00
G.	**Adjusted Net Worth (E-F)**	7086.97	6782.05	6836.41	6524.45	7389.56	8019.58
H.	**Net Worth Represented by:**						
	1. Share capital	3300.00	3300.00	3300.00	3300.00	3300.00	3300.00
	2. Reserves	3877.42	3577.57	3653.06	3362.23	4205.54	4733.23
	3. Less :Miscellaneous expenditure not written off	90.45	95.52	116.65	137.78	115.98	13.65
	Adjusted Net Worth (1+2-3)	**7086.97**	**6782.05**	**6836.41**	**6524.45**	**7389.56**	**8019.58**

Note: The Company has not revalued its fixed assets as such no revaluation reserve was created.

ANNEXURE-III

Statement of cash flow ,as restated

(Rupees in Lacs)

	Particulars	As AT					
		30/06/2005	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
A	**Cash flow from operating activities:**						
	Net Profit after adjustment related to earlier years but before tax and Exceptional items	219.27	391.56	881.96	519.05	(248.79)	159.32
	Adjustments for:						
	Depreciation	269.74	1085.18	1065.44	1086.91	1090.67	1052.05
	Loss on sale of Fixed assets(net)	1.20	20.94	3.48	7.06	13.93	17.37
	Interest expenses	213.52	851.47	882.14	973.11	1285.98	1660.56
	Interest income	(5.56)	(40.84)	(32.61)	(35.02)	(30.32)	(54.01)
	Income from Investments	-	-	-	(0.16)	(0.12)	(0.10)
	Other non cash write back	8.04	10.35	0.07	(13.65)	11.68	(11.39)
	Profit on sale of Fixed assets	(9.21)	(0.50)	(0.01)	-	-	-
	Profit on sale of Long Term investments	-	-	(0.33)	-	-	-
	(Increase)/Decrease in Misc. expenditure	5.08	21.13	21.13	(21.80)	(102.33)	9.98
	Operating Profit before Working Capital changes	**702.08**	**2339.29**	**2821.27**	**2515.50**	**2020.70**	**2833.78**
	Adjustments for:						
	Trade & other receivables	(31.80)	166.87	(574.68)	(159.43)	127.27	61.48
	Inventories	(189.33)	3280.73	(3015.22)	(411.45)	104.47	(1236.51)
	Trade payables	402.86	(975.81)	935.76	(781.94)	153.54	343.74
		181.73	**2471.79**	**(2654.14)**	**(1352.82)**	**385.28**	**(831.29)**
	Cash generated from operations	**883.81**	**4811.08**	**167.13**	**1162.68**	**2405.98**	**2002.49**
	Direct Tax paid	(9.71)	(50.71)	(71.81)	(22.79)	(13.78)	(23.91)
	Cash flow before Exceptional items	**874.10**	**4760.37**	**95.32**	**1139.89**	**2392.20**	**1978.58**
	Exceptional items	17.75	45.38	24.69	(63.55)	(2.92)	87.33
	Net Cash from operating activities (A)	**891.85**	**4805.75**	**120.01**	**1076.34**	**2389.28**	**2065.91**

(Rupees in Lacs)

	Particulars	As AT					
		30/06/2005	**31/03/2005**	**31/03/2004**	**31/03/2003**	**31/03/2002**	**31/03/2001**
B	**Cash flow from Investing activities:**						
	Additions to Fixed assets	(349.81)	(3494.10)	(327.95)	(148.02)	(359.26)	(518.20)
	Sale proceeds of Fixed assets	6.07	12.84	13.89	12.98	18.15	13.32
	Interest received	5.56	40.84	32.61	35.02	30.32	54.01
	Income from Investments	-	-	-	0.16	0.12	0.10
	Profit on sale of Fixed assets	9.21	0.50	0.01	-	-	-
	Profit on sale of Long Term investments	-	-	0.33	-	-	-
	Sale of Investments	-	-	2.52	-	-	-
	Net cash used in Investing activities (B)	**(328.97)**	**(3439.92)**	**(278.59)**	**(99.86)**	**(310.67)**	**(450.77)**
C	**Cash flow from Financing activities:**						
	Proceeds from borrowing (net)	(386.68)	22.31	1205.84	15.54	(977.09)	99.17
	Interest paid	(239.87)	(863.33)	(908.41)	(1015.63)	(1267.11)	(1692.85)
	Dividend paid	(2.48)	(245.60)	(4.33)	(0.05)	(0.03)	(0.05)
	Tax on Dividend	-	(31.71)	-	-	-	-
	Net cash used in Financing activities (C)	**(629.03)**	**(1118.33)**	**293.10**	**(1000.14)**	**(2244.23)**	**(1593.73)**
	Net increase /(decrease) in cash and cash equivalents **(A+B+C)**	**(66.15)**	**247.50**	**134.52**	**(23.66)**	**(165.62)**	**21.41**
	Cash and cash equivalents (Opening balance)	471.02	223.52	89.00	112.66	278.28	256.87
	Cash and cash equivalents (Closing balance)	**404.87**	**471.02**	**223.52**	**89.00**	**112.66**	**278.28**

ANNEXURE- IV

A. SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONCEPTS

The Company follows the mercantile system of accounting and recognises income and expenses on accrual basis. The accounts are prepared on historical cost basis as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles and the provisions of the Companies Act, 1956.

2. FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes, and effect of related foreign currency rate fluctuations and other incidental expenses. Pre-operative expenses including eligible borrowing cost incurred during construction period are charged to Capital Work-in-Progress and on completion, the cost are allocated to the respective fixed assets. Machinery spares which are specific to a particular item of the fixed assets and if their use is expected to be irregular are capitalised as applicable.

3. DEPRECIATION

Depreciation on fixed assets is provided on straight line method at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956, except that on adjustment to cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets and on machinery spares as mentioned above, depreciation is provided as aforesaid over the residual useful life of the respective assets.

4. INVESTMENTS

Long term investments are stated at cost. Provision for diminution in value of long term investments is made only if such decline is other than temporary.

5. INVENTORIES

Inventories are valued at cost except for finished goods, stock in-process and waste. Cost is determined on weighted average basis and includes all cost incurred in bringing the inventories to their present location and condition. Finished goods and stock in-process are valued at lower of cost and net realisable value and waste at net realisable value.

6. CONTINGENT LIABILITIES

Unprovided contingent liabilities are disclosed in accounts by way of notes giving the nature and quantum thereof, wherever determinable.

7. FOREIGN CURRENCY TRANSACTIONS

Export Sales in foreign currency are accounted for at the exchange rate prevailing on the date of negotiation, where such sales are not covered by forward contracts. Outstanding export documents pending negotiation when not covered by foreign exchange forward contracts are accounted for at the prevailing conversion rates at the close of the year and difference if any in actual realisation of such documents is accounted for in foreign exchange fluctuation account to be credited/charged to the Profit & Loss Account in the year of realisation.

In respect of Forward Exchange Contracts, the difference between the forward rate and the exchange rate on the date of transaction is recognised proportionately as income or expense, as the case may be, over the life of contract.

Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

8. SALES

Export sales are recognised on the basis of date of bill of lading and other sales on ex-factory despatch. Export benefits/ incentives are accounted for on accrual basis.Sales include excise duty and are net of claims, rebates & discounts allowed during the year.

9. RETIREMENT BENEFITS

The Company makes regular contributions to the provident fund which is charged to profit and loss account. The liability for gratuity and leave encashment is provided on the basis of actuarial valuation.

10. CLAIMS

In accordance with the consistent practice, insurance and other claims, to the extent considered recoverable, are accounted for in the year relevant to claim while the balance is accounted for on settlement.

11. MISCELLANEOUS EXPENDITURE

In accordance with AS - 26 on Intangible assets issued by the Institute of Chartered Accountants of India the balances as on 1.04.2003 in respect of deferred revenue expenditure and preliminary expenses are being expensed over a number of years as originally contemplated.

12. BORROWING COST

Borrowing cost attributable to acquisition and construction of qualifying assets are capitalised as a part of the cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are charged to the profit & loss account.

13. TAXATION

Provision for current tax is made in respect of taxable income for the current accounting year in accordance with the Income Tax Act,1961.The deferred tax for timing differences between the book profits and tax profits for the year is accounted for , using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that these would be realised in future.

14. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is charged off against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as on addition to fixed assets and depreciated accordingly.

15. IMPAIRMENT OF ASSETS

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

B. CHANGES IN ACCOUNTING POLICIES IN THE LAST FIVE YEARS

There is no change in significant accounting policies during the reporting period except as and when Accounting Standards issued by the Institute of Chartered Accountants of India were made applicable on the relevant dates.

ANNEXURE –V

NOTES ON ACCOUNTS

1. The Company had furnished corporate guarantees to IFCI, IDBI & ICICI and banks towards financial assistance provided by them to Ginni International Ltd (GIL). On account of certain acts on the part of GIL & IFCI and as per legal opinion obtained by the Company, the corporate guarantees given to IFCI (outstanding loan of IFCI was Rs. 3016.92 lacs as on 31.03.2005 as per information received from GIL) stand fully discharged. All lending institutions & banks except IFCI have since released the said guarantees.
2. The Company had given non-disposal undertakings to IFCI, IDBI in respect of its investment in equity shares of Ginni International Limited (GIL) in consideration of loans sanctioned by them to the said Company. IFCI and IDBI have since confirmed the release of the said non-disposal undertakings.
3. Sales include net loss of Rs. 3.81 lacs (previous year Rs. 95.73 lacs) on account of exchange rate fluctuation and adjustment of Rs. 7.75 lacs (previous year Rs.57.47 lacs) on account of rebate and claims.
4. As per information available with the Company the name of small scale industrial undertaking to whom the Company owes a sum that is outstanding for more than 30 days is: 1) Aman Polypack Pvt. Ltd., 2) Pooja Plastics Industries, 3) Shri Parasnath Packaging, 4)R M Enterprises, 5) Hissar Paper Products P Ltd. 6) Paperpack Industry, 7) Sutran Polymers Pvt. Ltd., 8) Kamlax Polytex (P) Ltd. 9) NTB International Pvt Ltd.10) Tex-Link, 11) Agarwal Bobbin Industries, 12) Simta Manufacturing Co., 13) Newspack Plastics Pvt. Ltd.
5. Secured loans of Rs.1289.45 lacs are repayable within next twelve months.
6. The Company had given certain machines valuing Rs.340.08 lacs (WDV as on 30.06.2005 Rs.184.15 lacs) on loan against payment of rent to M/s. Ginni International Ltd. (GIL). GIL continued to pay the agreed rent up to August 2000, where after they stopped paying the said rent. The said machines formed part of the overall assets financed by various financial institutions and hypothecated to them. The machines lent to GIL were with the consent of the competent authorities. During the year 2002–03 GIL claimed that the said machines were given to them under hire purchase system. Since the claim of GIL is unfounded and not tenable in law, and in absence of rent forthcoming, the Company was left with no alternative but to file a civil suit before Hon'ble Delhi High Court for recovery of the rent outstanding Rs.98.67 lacs upto August 2003 including interest of Rs.11.33 lacs and further rent @ Rs.2.43 lacs per month from September 2003 onwards. In view of the legal advice, the Company is certain to recover the outstanding amounts from GIL. Accordingly, the Company has booked a sum of Rs.7.28 lacs as rent on said machines during the quarter. The dues so shown against GIL are considered good in view of the financial status of GIL and the legal advice regarding recoverability of the amount.
7. In terms of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India (ICAI), the Company operates only in one business segment viz Textile consisting of manufacturing yarn and knitted fabric which has identical risks and returns. The Company has production facilities and other assets located in India. Sales to external customers comprise export sales (gross)of Rs.2492.99 lacs (previous year Rs.11028.17 lacs),deemed export sales Rs.141.71 lacs (previous year Rs.1021.11 lacs) and domestic sales (gross) of Rs.1124.12 lacs (previous year Rs. 5911.97 lacs).
8. The Company's leasing arrangement is in respect of operating lease for premises. These leasing arrangements which are not non–cancellable with lease period 3 years or longer and are usually renewable by mutual consent on mutually agreed terms. The lease rentals are charged to profit and loss account.

9. As specified in Accounting Standard 22 on "Accounting for Taxes on Income" issued by ICAI, the principal components of deferred tax liabilities provided during the quarter/year are as follows:

	Rs. in Lacs As on 30.06.05	**Rs. In Lacs** As on 31.03.05
Deferred tax liabilities		
Depreciation –Timing Difference	**2804.23**	3107.20
Deferred tax assets		
Unabsorbed Depreciation	**789.98**	1010.81
Disallowance u/s 43B of Income Tax Act,1961	**64.93**	66.95
Provision for doubtful debts	**22.99**	25.00
	877.90	1102.76
Net Deferred tax liabilities : Total	**1926.33**	2004.44
Provided upto 31.03.05 (Previous year upto 31.03.04)	**2004.44**	1803.97
Provided during the quarter/year	**(78.11)**	200.47

10. Auditors' Remuneration -

(Rs. in Lacs)

	Quarter ended 30-06-2005	Year ended 31-03-2005
Statutory Auditor		
Audit Fee	**0.70**	1.85*
Tax Audit Fee	**0.00**	0.45*
Certification & Other services	**0.00**	0.54*
Reimbursement of Expenses	**0.10**	0.20

* Net of Cenvat Credit

11. Administration, selling and other expenses include:

Research and Development expenses	**6.23**	29.17

	Quarter ended 30-06-2005	Year ended 31-03-2005
12. Managing Directors' remuneration :		**(Rs. In Lacs)**
Salaries	**14.46**	54.00
Contribution to provident fund	**1.74**	6.48
Other perquisites	**0.71**	3.32
Commission	**-**	-
The above figures for the quarter/year do not include Provision for gratuity liabilities & leave encashment as separate figures in actuarial valuation are not available for Chairman & Managing Director and Vice-Chairman & Managing Director.	**16.91**	63.80

13. Previous year's figures being for twelve months are not comparable with current period figures of three months.

14. Additional information pursuant to the provisions of paragraph 3 & 4 of part II of Schedule VI of the Companies Act, 1956.

			As at 30th June'2005	
(A)	Class of goods manufactured :		**Yarn/Knitted Fabrics/Garments**	
(B)	Capacities :	**Unit**	**Licensed**	**Installed***
	(i) Spindles	Nos.	**120672** (120672)	**54432** (54432)
	(ii) Knitting Machines	Nos.	**42** (42)	**27** (27)
	(iii) Rotors	Nos.	**2400** (2400)	**960** (960)
	(iv) Garments	Pcs.	**360000** (360000)	**NIL** (NIL)

*As Certified by the Management.

(C) Production, Turnover & Stocks :

	Opening Stock		Production	Purchases		Sales		Closing Stock	
	Kg. in Lacs	Rs. in Lacs	Kg. In Lacs	Kg. In Lacs	Rs. In Lacs	Kg. in Lacs	Rs. in Lacs	Kg. in Lacs	Rs. In Lacs
(a) Manufactured									
(i) Yarn	**6.42**	**525.13**	**39.41**	**-**	**-**	**35.47@**	**3393.56**	**9.11+**	**740.52**
	(5.69)	(587.32)	(154.06)	(-)	(-)	(142.06)	(15170.66)	(6.42)	(525.13)
(ii) Knitted Fabrics	**1.30**	**173.72**	**2.18**	**-**	**-**	**2.38***	**361.24**	**1.10**	**157.98**
	(1.81)	(247.92)	(17.02)	(-)	(-)	(17.53)	(2670.72)	(1.30)	(173.72)
(iii) Waste	**-**	**8.09**	**-**	**-**	**-**	**-**	**152.62**	**-**	**18.04**
	(-)	(20.33)	(-)	(-)	(-)	(-)	(864.17)	(-)	(8.09)
(iv) Garments Pcs.	**350**	**.31**	**-**	**-**	**-**	**-**	**-**	**350**	**.31**
	(350)	(.31)	(-)	(-)	(-)	(-)	(-)	(350)	(.31)
(b) Goods Traded									
(i) Yarn	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(1.53)	(156.82)	(1.53)	(171.96)	(-)	(-)
(ii) Knitted Fabrics	0.01	0.80	-	0.06	6.90	0.06	7.84	0.01	0.80
	(0.01)	(0.80)	(-)	(0.14)	(29.28)	(0.14)	(31.94)	(0.01)	(0.80)
		708.05					3915.26**		917.65
		(856.68)					(18909.45)		(708.05)

@ excluding 1.25 lacs kg. (Previous year 11.27 lacs kg) for captive consumption and includes 2585 kgs yarn transfer to unit II for trial run.

** excludes exchange rate fluctuation (Refer Note No.5 above) and includes Excise Duty of Rs. 57.91 lacs (previous year Rs. 372.98 lacs).

+ includes 4.09 lacs kg. goods in transit. (previous year 2.44 lacs kg).

* includes 5922 kgs knitted fabrics transfer to unit II for trial run.

NOTE : Figures within brackets pertain to previous year.

(D)	Raw Materials consumed :		**Quarter ended 30th June 2005**		Year ended 31-03-2005
		Kg. In Lacs	**Rs. In Lacs**	Kg. in Lacs	Rs. In Lacs
	Cotton	**49.70**	**2128.93**	191.30	10416.99
	Yarn	**1.38**	**159.33**	9.51	1096.35
(E)	Value of raw materials consumed :	**Rs. In Lacs**	**%**	Rs. In Lacs	%
	Imported	**8.79**	**0.38**	818.60	7.11
	Indigenous	**2279.47**	**99.62**	10694.74	92.89
(F)	Value of stores and spare parts consumed :				
	Imported	**36.49**	**41.67**	203.28	42.16
	Indigenous	**51.08**	**58.33**	278.89	57.84
(G)	Earnings in foreign exchange during the year :		**Rs. In Lacs**		Rs. in Lacs
	F.O.B. value of goods Exported		**2424.26**		10768.44
(H)	CIF Value of Imports :				
	Raw Materials		**13.18**		310.92
	Capital goods		**34.66**		2153.16
	Stores & Spare Parts		**41.33**		211.23
(I)	Expenditure paid in foreign currency : (Only payments directly in foreign currencies considered)				
	Interest		**-**		13.98
	Travelling		**5.16**		31.12
	Commission		**27.54**		114.13
	Professional fees and others		**3.30**		3.92

(J)	Remittance in foreign currencies on account of dividends		**Quarter ended 30-06-2005**	Year ended 31-03-2005
	(a)	Year to which the dividend relates	**2004-2005**	2003-2004
	(b)	Number of non-resident shareholders to whom remittances were made	**-**	1
	(c)	Number of shares on which remittances were made	**-**	19486099
	(d)	Amounts remitted(Rs.in lacs)	**-**	146.15

ANNEXURE-VI

Statement of Dividend paid

Financial Year	Dividend %	Dividend per share (Rs.)	Dividend Amount (Rs.in lacs)	Dividend Tax (Rs.in lacs)	No. of share	Class of Shares
2000-2001	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2001-2002	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2002-2003	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2003-2004	7.50	0.75	247.50	31.71	33000000	Equity shares of Rs.10/-each
2004-2005	7.50	0.75	247.50	34.71	33000000	Equity shares of Rs.10/-each

ANNEXURE-VII

Capitalisation Statement

(Rupees in Lacs)

Particulars		Pre Issue as at 30/06/2005	(Adjusted for the Public Issue)
Borrowings			
Secured Loans		12136.10	12136.10
Unsecured Loans		715.15	715.15
Total Borrowings		**12851.25**	**12851.25**
Less: Short Term Debts		5123.91	5123.91
Total Long Term Debts		**7727.34**	**7727.34**
Shareholders Funds:			
Equity Share Capital		3300.00	5926.26
Reserves & Surplus:-			
Securities Premium Account	2276.00		
Other Reserves & Surplus	1601.42	3877.42	7251.16
Less: Miscellaneous Expenditure to the extent not written off		90.45	90.45
Total Shareholders Funds		**7086.97**	**13086.97**
Long Term Debt/Equity Ratio		**1.09:1**	**0.59:1**

*Shareholders' Funds post issue can be calculated only on the conclusion of the Book building process.

Note: Short term debts are debts maturing within next one year.

ANNEXURE-VIII

Statement of Accounting ratios(on restated profits)

Particulars	Quarter ended 30/06/2005	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002	Year ended 31/03/2001
Net worth (Rs.in lacs)	7086.97	6782.05	6836.41	6524.45	7389.56	8019.58
Restated Profit after Tax (Rs.in lacs)	274.07	157.46	542.35	422.95	(248.79)	145.08
No. of Shares outstanding at the end of the quarter/year	33000000	33000000	33000000	33000000	33000000	33000000
Earning per Share(EPS) (Rs.)10/-each						
- Basic Earning/(Loss) per share (Rs.)	0.83	0.48	1.64	1.28	(0.75)	0.44
Return on net Worth(%)	3.87%	2.32%	7.93%	6.48%	(3.37%)	1.81%
Net Assets value per Share of (Rs.)10/-each	21.48	20.55	20.71	19.77	22.39	24.30

Notes: The ratios have been computed as below-

Basic Earnings per Share (Rs.) $\dfrac{\text{Net Profit after tax as restated attributable to Equity Share-holders}}{\text{Number of Equity Shares outstanding during the Quarter/year}}$

Return on net Worth (%) $\dfrac{\text{Net Profit after tax as restated}}{\text{Net Worth as restated, at the end of the Quarter/ year}}$

Net Assets value per Share (Rs.) $\dfrac{\text{Net Worth as restated, at the end of the Quarter/ year}}{\text{Number of Equity Shares outstanding at the end of the Quarter/ year}}$

ANNEXURE-IX

Statement of Other Income, as restated

(Rupees in Lacs)

Particulars	Quarter ended 30/06/2005	Year ended 31/03/2005	Year ended 31/03/2004	Year ended 31/03/2003	Year ended 31/03/2002	Year ended 31/03/2001	Nature	Related/ Not Related to Business Activity
Interest	5.56	40.84	36.95	37.91	32.61	55.66	Recurring	Related
Insurance Claims	0.53	16.25	10.04	24.14	4.98	61.04	Non-Recurring	Related
Foreign Exchange rate Fluctuation gain on Forward Contracts	-	6.76	9.84	11.68	-	-	Recurring	Related
Foreign Exchange rate Fluctuation gain others	-	-	0.33	2.43	-	-	Recurring	Related
Miscellaneous	8.01	73.77	26.47	19.74	18.43	17.72	Recurring	Related
Total	**14.10**	**137.62**	**83.63**	**95.90**	**56.02**	**134.42**		

ANNEXURE-X

Statement of Debtors (Age-wise Analysis)

(Rupees in Lacs)

Particulars	AS AT					
	30/06/2005	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
UNSECURED						
(Considered Good unless otherwise stated)						
Less than six months	1067.14	1147.69	1492.73	1024.92	907.21	1088.08
More than six months						
- Considered Good	205.72	202.81	118.37	121.24	146.10	55.87
- Considered Doubtful	68.31	68.31	68.31	68.31	0.00	0.00
Less: Provision for Doubtful Debts	68.31	68.31	68.31	68.31	0.00	0.00
Total	**1272.86**	**1350.50**	**1611.10**	**1146.16**	**1053.31**	**1143.95**

Note: No amount is due from Promoters/Promoters' group/Group companies/Directors/Relatives of Directors.

ANNEXURE-XI

Statement of Loans and advances, as restated

(Rupees in Lacs)

Particulars	AS AT					
	30/06/2005	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
(Unsecured-considered good)						
Advances recoverable in cash or in kind or for value to be received	704.59	507.07	331.32	418.98	413.48	292.62
Export incentive/Benefit entitlements	310.46	463.34	544.55	344.37	276.81	446.02
Balance with Excise authorities	68.07	3.27	4.08	6.86	13.34	1.62
Advance Payment of income tax & Wealth tax	171.71	161.99	111.08	39.37	16.96	2.27
Total	**1254.83**	**1135.67**	**991.03**	**809.58**	**720.59**	**742.53**

Note: No amount is receivable from Promoters/Promoter group/Group Companies/Directors/Relatives of Directors.

ANNEXURE-XII

A. Statement of Unsecured Loans

(Rupees in Lacs)

Particulars	AS AT					
	30/06/2005	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
Inter Corporate deposits						
From Other than promoters, promoter group & group companies	246.50	275.79	181.46	145.57	140.57	178.14
From promoters, promoter group & group companies of promoters*	468.65	419.60	210.82	98.92	39.49	-
	715.15	**695.39**	**392.28**	**244.49**	**180.06**	**178.14**
Rate of Interest	9%	9%	9%,10%, 12% & 13%	12% to 14%	12% to 14%	12% & 14%
Repayment	On Demand	On Demand	On Demand	On Demand	On Demand	On Demand
Risk Factor	The Deposits can be recalled at any time by the lenders					

* parties as identified by the Company & relied upon by us.

B. Terms and Conditions of Unsecured loans as on 30/06/2005

(Rupees in Lacs)

Sl.No.	Name of Lender	Amount	Rate of interest %	Repayment terms
	From Promoters/Group Companies/Associate companies			
1	Abhinav Investments Pvt.Ltd.	253.50	9	On Demand
2	Apex Infocom Services Pvt.Ltd.	173.75	9	On Demand
3	Ganesh Synthetics Pvt.Ltd.	3.30	9	On Demand
4	Ginni Non Woven Pvt.Ltd.	1.20	9	On Demand
5	Kanpur Builders Pvt.Ltd.	20.80	9	On Demand
6	Lahoti Mercandise Pvt.Ltd.	8.50	9	On Demand
7	Shree Bhawani Anand Pvt.Ltd.	7.60	9	On Demand
	Sub-Total	**468.65**		
	From Others			
1	Arvind Plast & Accessories Ltd.	5.00	9	On Demand
2	Bhagat Agencies Pvt.Ltd.	60.00	9	On Demand
3	Bhagat Refinerers & Chemicals Ltd.	60.00	9	On Demand
4	Ginni Financial Services Ltd.	10.00	9	On Demand
5	Ginni Investment & Services Ltd.	5.00	9	On Demand
6	Gyanijay Tradecom Pvt.Ltd.	103.50	9	On Demand
7	Swadeshi Cotton Mills Co.Ltd.	1.50	9	On Demand
8	Vedant Farm Pvt.Ltd.	1.50	9	On Demand
	Sub-Total	**246.50**		
	Total	**715.15**		

ANNEXURE-XIII

Statement of Secured loans as on 30/06/2005

A.Term Loans

(Rupees in Lacs)

Sl. No.	Name of the Institutions/ Banks from whom loan raised	Date of Sanction	Amount Sanctioned	Type of Loan	Outstanding As on 30/06/2005	Over Dues	Rate of Interest Per Annum	Repayment Schedule	Security
1	IFCI	06.01.1997	2425.00 (US$6794028)	Foreign currency loans (US$3145774.50)	1369.98	No	Libor+3%	Phased repayment ending 15th Dec 2009	Guaranteed by Dr. Rajaram Jaipuria, Sh.Shishir Jaipuria & secured by pledge of 61.55 lacs equity shares of the Company held by promoters & associates
2	IFCI	27.02.2001	600.00	Non Convertible Debentures	600.00	No	9%	Phased repayment ending 15th Jan 2011	—Do—
3	IFCI	01.08.2001	49.17	Zero rate Debentures	49.17	No	0%	Phased repayment ending 15th Jan 2011	—Do—
4	IDBI	06.02.1997	2425.00 (US$6794027)	Foreign currency loans (US$4640769.67)	2021.05	No	Libor+3%	Phased repayment ending 1st July 2007	Guaranteed by Dr.. Rajaram Jaipuria, Sh.Sharad Jaipuria & Sh.Shishir Japuria
5	IDBI	06.01.1998	855.00 (US$2200000)	Foreign currency loans (US$100000)	43.55	No	Libor+2.5%	Phased repayment ending 1st Oct 2005	—Do—
6	IDBI	08.04.2002	121.03	Rupees term loan (Fcl crystallised)	17.53	No	9%	Phased repayment ending 1st Oct 2005	—Do—
7	IDBI	05.08.1998	850.00	Non Convertible Debentures	500.00	No	9%	Phased repayment ending 1st Jan 2011	—Do—

Sl. No.	Name of the Institutions/ Banks from whom loan raised	Date of Sanction	Amount Sanctioned	Type of Loan	Outstanding As on 30/ 06/2005	Over Dues	Rate of Interest Per Annum	Repayment Schedule	Security
8	IDBI	21.12.2000	600.00	Non Convertible Debentures	600.00	No	9%	Phased repayment ending 1st Jan 2011	Guaranteed by Dr.Rajaram Jaipuria & Sh.Shishir Jaipuria
9	EXIM BANK	26.06.1997	900.00 (US$2500000)	Foreign currency loans (US$625000)	272.19	No	Libor+2.5%	Phased repayment ending 26th Jan 2009	Guaranteed by Dr. Rajaram Jaipuria,Sh.Shishir Jaipuria & secured by pledge of 61.55 lacs equity shares of the Company held by promoters & associates
10	EXIM BANK	23.12.1999	675.00	Rupee Term loan under Tuff	319.64	No	10% net	Phased repayment ending 20th Dec 2008	Guaranteed by Dr. Rajaram Jaipuria,Sh.Sharad Jaipuria and Sh.Shishir Jaipuria & secured by pledge of 61.55 lacs equity shares of the Company held by promoters & associates
11	EXIM BANK	28.09.2004	500.00	Rupee Term loan	272.58	No	4%net	Phased repayment ending 20th Dec 2011	Guaranteed by Dr.Rajaram Jaipuria & Sh.Shishir Jaipuria
12	UCO Bank	18.12.2003	1050.00	Rupee Term loan	917.43	No	11%	Phased repayment ending 15th Oct 2008	—Do—
13	J & K BANK	02.06.2004	2277.00	Rupee Term loan	2033.67	No	4%net	Phased repayment ending 8th Jan 2012	—Do—
				Total	**9016.79**				

Note:

All Loans are further Secured by mortgage by deposit of Title Deeds of immovable properties (pending mortgage for Rupee Loan of Rs.272.58 lacs) and by Hypothecation of Company's movable properties, ranking pari-passu, subject to prior charge on current assets in favour of Company's bankers for working capital.

B. Working Capital Loans from Banks:

(Rupees in Lacs)

Particulars	Outstanding As on 30/06/2005	Over-Dues	Rate of Interest	Security
State Bank of India Export packing credit/packing credit in foreign currency	1220.31	-	As applicable time to time	Secured by Hypothecation of the Stocks-in-Trade, Raw material,Stores & Spare parts,Work-in-progress & receivable and second charge on Fixed assets.Additionally guaranteed by CMD & MD
Bank of Baroda Export packing credit/packing credit in foreign currency	562.57	-	-Do-	Same as above on pari -passu basis
The Federal Bank Ltd Export packing credit/packing credit in foreign currency	793.06	-	-Do-	-Do-
State Bank of Bikaner & Jaipur Export packing credit/packing credit in foreign currency	543.37	-	-Do-	-Do-
Total	**3119.31**			

Statement of Secured loans

(Rupees in Lacs)

Sl. No.	Particulars	AS AT					
		30/06/2005	**31/03/2005**	**31/03/2004**	**31/03/2003**	**31/03/2002**	**31/03/2001**
A.	**1. Term Loans**						
	(a) From Financial Institutions						
	IFCI	1369.98	1547.16	1840.16	2327.80	2534.56	2571.80
	IDBI	2082.13	2205.61	2689.17	3377.74	3667.89	3705.41
	Exim Bank	864.41	911.46	798.07	993.91	1152.69	1028.54
	(b) From Banks						
	State Bank of India Nasau	-	-	-	-	419.15	800.74
	UCO Bank	917.43	983.05	1048.68	-	-	-
	J & K Bank	2033.67	1966.71	-	-	-	-
	2. Debentures						
	IDBI	1100.00	1100.00	1100.00	1100.00	1040.00	1040.00
	IFCI	649.17	649.17	649.17	649.17	600.00	600.00
	Total (A)	**9016.79**	**9363.16**	**8125.25**	**8448.62**	**9414.29**	**9746.49**
B.	**Working Capital Loans**						
	State Bank of India	1220.31	1459.01	1909.70	1668.09	1314.32	1944.00
	State Bank of Bikaner & Jaipur	543.37	409.19	503.17	551.71	475.47	402.27
	Bank of Baroda	562.57	501.72	496.11	948.85	744.56	727.73
	The Federal Bank Ltd.	793.06	825.98	482.28	576.11	456.68	273.70
	Exim Bank -	-	1289.64	-	-	-	
	Total(B)	**3119.31**	**3195.90**	**4680.90**	**3744.76**	**2991.03**	**3347.70**
	Total Secured Loans(A+B)	**12136.10**	**12559.06**	**12806.15**	**12193.38**	**12405.32**	**13094.19**

ANNEXURE-XIV

Statement of Quoted Investments

(Rupees in Lacs)

Particulars	AS AT			
	30/06/2005	31/03/2005	31/03/2004	31/03/2003
QUOTED INVESTMENT				
Ginni International limited	952.56	952.56	952.56	952.56
Bank of India	-	-	-	1.31
State Bank of Bikaner & Jaipur	-	-	-	1.21
Book value of Quoted Investment	**952.56**	**952.56**	**952.56**	**955.08**
Market value of Quoted Investment	**939.33**	**939.33**	**939.33**	**941.60**
Diminution in the value	13.23	13.23	13.23	13.48

Note : In view of the accounting policy of the Company on long term investments, provision for diminution in value has not been considered necessary.

ANNEXURE - XV

STATEMENT OF TAX SHELTERS

(Amt. Rs. In Lacs)

PARTICULARS	Quarter ENDED ON 30/06/2005	YEAR ENDED ON 31/03/2005	YEAR ENDED ON 31/03/2004	YEAR ENDED ON 31/03/2003	YEAR ENDED ON 31/03/2002	YEAR ENDED ON 31/03/2001
Profit & Loss as per Books of Accounts	237.02	428.90	904.38	453.16	-242.99	242.87
Tax Rate Normal including surcharge	33.6600%	36.59%	35.88%	36.75%	35.70%	39.55%
Notional Tax payable at Normal Rate	79.78	156.95	324.45	166.54	-86.75	96.06
ADJUSTMENT						
Permanent Difference						
Export Profit	0	0	0	0	0	0
Timing Difference						
Difference between Tax Depreciation and Book Depreciation	160.32	203.29	-3.67	-239.36	-585.92	-928.6
Other adjustment	18.04	92.65	27.12	88.39	-70.14	31.94
Net adjustment	178.36	295.94	23.45	-150.97	-656.06	-896.66
Tax Saving thereon	60.04	108.29	8.41	-55.48	-234.21	-354.63
Total Taxation	139.82	265.24	332.86	111.05	-320.96	-258.57
Tax on Brought Forward unabsorbed depreciation Adjusted	139.82	265.24	332.86	111.05	0.00	0.00
Total normal tax Payable	0	0	0	0	0	0
Taxable Income as per MAT	237.02	428.9	904.38	453.16	0	166.87
Tax as per Income Tax Return (MAT Tax)	19.95	33.63	69.53	35.68	0	14.14

Note :

1. The Figures in the above statement for the period ended 30th June'2005 are provisional and would be finilised at the year end.
2. Income Tax return for the financial year ended on 31/03/2005 is yet to be filed.
3. The Figures for all other years are as per the returns of Income Tax.

ANNEXURE -XVI

STATEMENT OF RELATED PARTY DISCLOSURES

Related parties and transactions with them as specified in the Accounting Standard 18 on "Related Parties Disclosures" issued by ICAI has been identified and given below on the basis of information available with the Company and the same has been relied upon by the auditors.

Related Parties & Relationship **(Rs. In Lacs)**

		Quarter ended 30-06-2005	Year ended 2004-2005	Year ended 2003-2004	Year ended 2002-2003
a)	Enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by or are under common control with the Company (this includes holding companies, subsidiaries and fellow subsidiaries):				
	i) Sriram Holding Limited				
	ii) Abhinav Investments Pvt. Limited				
	Details of Transactions are as follows :				
	Interest paid	**3.76**	3.67	2.35	1.55
	Dividend paid	-	187.25	-	-
	Loan [Net –(taken)/repaid]	(231.65)	0.50	(22.35)	24.15
	Goods Sold	-	-	-	25.16
	Quarter/Year end payable	**253.50**	24.76	24.22	1.53
b)	Associates and joint ventures Nil				
c)	Individuals owning directly or indirectly, an interest in the voting power of the Company that give them control or significant influence over the Company, and relatives of such individuals. Nil				
d)	Key management personnel and their Relatives				
	i) Dr. Rajaram Jaipuria, Chairman & Managing Director				
	ii) Shri Shishir Jaipuria, Managing Director				
	Relative of Key Management Personnel				
	Shri Saket Jaipuria Chief Executive				
	Details of Transactions are as follows :				
	Remuneration	16.91	68.00	33.53	31.73
	Dividend paid	**-**	0.88	-	-

e) Enterprises over which any person described in (c) or (d) is able to exercise significant Influence.

i) Ginni Power Limited

ii) Ginni Nonwoven Pvt. Limited

iii) Ganesh Synthetics Pvt. Limited

iv) Lahoti Merchandise Pvt. Limited

v) Apex Infocom Services Pvt. Ltd.

vi) Kanpur Builders Limited

vii) Shree Bhawani Anand Pvt. Ltd.

Details of Transactions are as follows :

Interest paid	**6.31**	28.56	14.67	1.77
Dividend paid	**-**	6.83	-	-
Loan [Net –(taken)/repaid]	**157.10**	(197.30)	(78.95)	(81.80)
Quarter/Year end payable	**215.15**	394.84	186.60	97.39
Amount written off or written back during the Quarter/year in respect of debts due from above parties.	**-**	-	-	-

ANNEXURE-XVII

Statement of Contingent liabilities and capital commitments, as restated

(Rupees in Lacs)

Particulars	AS AT					
	30/06/2005	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
Bills discounted with banks	1711.15	2196.91	2838.20	2014.28	2066.67	2577.52
Disputed demands under excise, customs, sales tax, electricity etc.	34.17	34.17	143.18	150.74	109.75	127.23
Claims against the Company not acknowledged as debts	13.93	13.19	13.48	15.28	12.91	7.50
Outstanding commitment for capital expenditure (net of advances)	7763.52	314.11	236.01	135.72	2.63	218.90

Note:-We have examined all the contracts, claims and litigations against the Company and have analysed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Company does not have any other contingent liabilities.

ANNEXURE-XVIII

Statement of Exceptional Items

(Rupees in Lacs)

PARTICULARS	Quarter ENDED ON 30/06/2005	YEAR ENDED ON 31/03/2005	YEAR ENDED ON 31/03/2004	YEAR ENDED ON 31/03/2003	YEAR ENDED ON 31/03/2002	YEAR ENDED ON 31/03/2001
EXCEPTIONAL INCOME:						
Income from other Investment(Long-Term)	-	-	-	0.16	0.12	0.10
Liabilities written back	7.54	57.84	19.85	5.01	7.22	85.47
Profit on sale of Fixed Assets	9.21	0.50	0.01	-	0.12	-
Profit on sale of Long term investment	-	-	0.33	-	-	-
Machine hiring charges	7.28	29.11	29.11	29.11	29.11	29.11
Total (A)	**24.03**	**87.45**	**49.30**	**34.28**	**36.57**	**114.68**
EXCEPTIONAL EXPENDITURE:						
Loss on sale of Fixed Assets	1.20	20.94	3.48	7.06	13.93	17.37
Preliminary and share issue expenses written off	0.16	0.63	0.63	1.96	9.98	9.98
Deferred revenue expenses written off	4.92	20.50	20.50	20.50	15.58	-
Provision for doubtful debt	-	-	-	68.31	-	-
Total (B)	**6.28**	**42.07**	**24.61**	**97.83**	**39.49**	**27.35**
EXCEPTIONAL ITEMS (NET) [A-B]	**17.75**	**45.38**	**24.69**	**(63.55)**	**(2.92)**	**87.33**

ANNEXURE - XIX

STATEMENTS OF QUALIFICATION IN AUDITOR'S REPORT

A) **On the Accounts of the Financial Year ended 31st March, 2001:**

Para-2 of the Auditors Report is as under:

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and Notes to the Accounts, give the information required by the Companies Act, 1956 in the manner so required and subject to note no.6 on schedule 18 regarding dues to SSI Units, give a true and fair view.

Management reply to the aforesaid observation:

Despite making Company's adequate efforts, suppliers did not furnish full information regarding their SSI status and therefore, sufficient information could not be made available.

B) **On the Accounts of the Financial Year ended 31st March, 2002:**

Para-2 of the Auditors Report is as under:

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and Notes to the Accounts, give the information required by the Companies Act, 1956 in the manner so required and subject to notes on schedule 18 particularly (i) regarding dues to SSI Units, relying on the information made available by the Company (note 6); (ii) non-amortisation of interest payments resulting in understatement of the losses by Rs.4.92 Lacs (iii) reportable segment as required by AS-17(note9) and (iv) change in basis of valuation of inventory by exclusion of borrowing cost resulting in overstatement of loss by Rs.39.96 lacs (note 14) give a true and fair view.

Management reply to the aforesaid observation:

(i) The disclosure regarding dues to small scale industrial undertaking (SSI) is given on the basis of information available with the Company and accordingly the disclosure was made.

(ii) IFCI had sanctioned reduction of rate of interest on outstanding NCDs' and crystallised foreign currency loan (FCL) by requiring issuance of Zero Rate of Debentures (ZRD) amounting to Rs.49.17 lacs repayable during April, 2010 to January, 2011. The issuance of such ZRD was pending on account of Company's proposal for discounting of the same for upfront payment. Pending sanction, the amount was not provided in the books of accounts.

(iii) It is the management's perception that, since the Company is exclusively engaged in the business of textile products which consists of yarn and fabrics, and has a single composite manufacturing unit, therefore, business of the Company is considered to constitute single primary reportable segment in the context of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India (ICAI).

(iv) In view of the Accounting Standard 2 on "Valuation of Inventories" issued by ICAI, borrowing costs were excluded from the calculation of cost of inventories.

C) **On the Accounts of the Financial Year ended 31st March, 2003:**

Para-2 of the Auditors Report is as under:

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and Notes to the Accounts, give the information required by the Companies Act, 1956 in the manner so required and subject to notes on schedule 19 particularly (i) regarding dues to SSI Units, relying on the information made available by the Company (note 6); (ii) regarding the claim of the hirer of certain machinery disputed by the Company and accounting thereof (note 9) and (iii) reportable segment as required by AS-17, relying on perception of the management (note 10) give a true and fair view in conformity with the accounting principles generally accepted in India.

Management reply to the aforesaid observation:

(i) The disclosure regarding dues to small scale industrial undertaking (SSI) was given on the basis of information available with the Company and accordingly disclosure was made.

(ii) The Company had given certain machinery on loan against rent to M/s Ginni International Ltd. (GIL). GIL had claimed that the aforesaid machinery were under hire purchase system upto 31/03/2002 and to be transferred to them. The Company did not accept their claim and as such accounted for the rent. Pending settlement, the accounting effect was given as per Company's contention regarding fixed assets (written down value as at 31/03/2003 Rs.224.56 Lacs), depreciation thereon and income of rent of Rs.29.11 Lacs for the year.

(iii) It is the management's perception that, since the Company is exclusively engaged in the business of textile products which consists of yarn and fabrics, and has a single composite manufacturing unit, therefore, business of the Company is considered to constitute single primary reportable segment in the context of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India (ICAI), the auditors have relied on the perception.

ANNEXURE-XX

Statement of Expenditure and source of Finance on Proposed Project

(Rupees in Lacs)

Particulars	**Invested upto 15/11/2005**
Land (Nonwoven)	289.19
Advance against supply of Machines/Expenses (Spinning Project)	117.42
Architect Fee	1.00
Appraisal fees/Lead Merchant Banker fee	46.08
Other expenses	80.69
Total	**534.38**
Source of Finance:	
Internal accrual/unsecured loans	534.38
Total	**534.38**

V.2 FINANCIAL INFORMATION OF GROUP COMPANIES

Please refer to the Section titled "Our Promoters and Group Companies" on page 113.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Prospectus have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP").

The following table summarizes significant measurement differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Prospectus.

Various U.S. GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

	Particulars	Indian GAAP	U.S. GAAP
1	Format and content of financial statements	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing or Company with turnover exceeding Rs.500 million, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statue.	All entities are required to present balance sheets, income statements, statements of changes in shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. The extent of disclosures in the notes to financial statements generally is for more extensive than under Indian GAAP. No specific format is mandated; generally items are presented on the face of the Balance Sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function. Securities Exchange Commission ("SEC") registrants are generally required to present two years of balance sheets and three years for all other statements.
2	Consolidation and investments in subsidiaries	In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group. Accordingly, there is no legal requirement to prepare consolidated financial statements. In stand alone financial statements, investments in subsidiaries, if classified as long term investments, are accounted at cost less an allowance for permanent impairments. If disclosed as current investments, they are valued at lower of cost and fair value.	Under U.S.GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent. Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements

	Particulars	Indian GAAP	U.S. GAAP
		Accounting Standard (AS 21) on "Consolidated Financial Statements", does not require consolidation, but sets out the standard to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements in accordance with AS21 in addition to the separate financial statements of the parent. For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered.	of the parent only are not presented. Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of that entity. In such cases, the equity method of accounting applies. Entities where the minority shareholder has protective rights only are consolidated. For the purposes of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under U.S. GAAP which may be treated as equity affiliates under Indian GAAP. In January 2003, the FASB issued Interpretation No.46, "Consolidation of Variable Interest Entities" an interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet.
3	Investments in securities	Investments are classified as long term or current. Current investments that are readily realizable and not intended to be held for more than one year from the date of purchase are carried at the lower of cost or fair market value. Unrealized losses are charged to the income statement; unrealized gains are not recorded except to restore previously recorded unrealized losses that may have reversed.	Investments in marketable equity securities and all debt securities are classified according to management's holding intent into one of the following categories trading available for sale or held to maturity. Trading securities are marked to fair value with the resulting unrealized gain or loss recognized currently in the income statement.

	Particulars	Indian GAAP	U.S. GAAP
4	Investments in associates or affiliates	The equity method of accounting for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and the same are accounted for in the same manner as other investments in the stand alone financial statements of a parent.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method. The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account. This method is also followed for unconsolidated subsidiaries.
5	Property plant and equipment	Fixed assets are recorded at historical costs or revalued amounts. On revaluation, an entire class of assets is revalued, or a selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of revaluation. However, revaluation should not exceed the recoverable amount of assets	Revaluations are not permitted.
6	Impairment of assets	Applicable for accounting periods beginning from April 1, 2004 onwards. The standard required companies to assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the Company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount and reported as an impairment loss.	SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows.
7	Intangible Assets	AS 26 on Intangible Assets became effective in respect of expenditure incurred on intangible items during accounting period commencing on or after April 1, 2003 in respect of listed public companies. The standard differentiates between intangible items	Purchased intangibles are capitalized at their fair value. Costs relating to internally developed intangible assets are expenses when incurred. Intangible assets with definite lives are amortized over the expected period of

	Particulars	Indian GAAP	U.S. GAAP
		and intangible assets whereby intangible items are expensed and intangible assets should be recognized if and only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.	benefit. Intangible assets with indefinite lives are not amortized but are subject to an annual impairment test or more frequently in the event of a triggering event.
8	Borrowing costs and interest capitalized Borrowing costs directly	attributable to the acquisition, construction or production of a qualifying asset are capitalized as a cost of the asset. Other borrowings cost are recognized as an expense in the period in which they are incurred. Foreign exchange gains or losses relating to borrowings incurred to construct fixed assets are treated as a part of borrowings costs during the construction period. Debt issuance costs may be amortized, charged as an expense or charged to the Securities Premium Account.	Interest cost is capitalized as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalization period begins when activities commence to make the assets ready and ends when the assets are ready for use. The capitalized interest is expensed over the estimated useful life of the asset as part of the depreciation charge.. Origination or commitment fees incurred to obtain a borrowing are treated as a deferred charge and amortized using the effective interest method over the life of the debt.
9	Foreign exchange	Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year end exchange rates, Exchange differences arising on transactions of monetary items are recognised as income or expense in the year in which they arise except in respect of liabilities for the acquisition of fixed asset where such exchange difference is adjusted in the carrying cost of the fixed assets.	All gains and losses arising from foreign currency transaction are included in determining net income.
10	Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

	Particulars	Indian GAAP	U.S. GAAP
11	Proposed dividend	Proposed dividends are recognized in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year of declaration.
12	Vacation accrual	Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.
13	Retirement benefits	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. The actuarial gains or shortfall are recognized immediately in the Profit & Loss account. Expenditure incurred on voluntary retirement scheme may be deferred.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions. Expenditure incurred on voluntary retirement scheme should be expensed in the period incurred.
14	Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.
15	Miscellaneous Expenditure	AS - 26 effective from April 1, 2004 disallows deferral of expenses related to product advertising, preliminary expenses. However it allows certain accounting issues of specialized nature to be accounted differently	Does not allow deferral of expenses, However cost of direct response advertising may be deferred over the period expected to be benefited.
16	Off-balance sheet items	As enterprise should disclose for each class of contingent liability at balance sheet date, a brief description of the nature of the contingent liability in terms of accounting standard 29. Amount of capital commitment is also to be disclosed.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
17	Segments	Specified segment disclosures are provided which could either be business segments or geographical segments.	Segments information is provided for reportable segments based on the segments for which the chief operating decision maker allocates resources and measures performance. The amount to be disclosed corresponds to the measures of performance used by the chief operating decision maker.

V.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated unconsolidated financial statements for each of the fiscal years ended March 31, 2003, 2004 and 2005, including the notes thereto and the reports thereon in the section titled "Financial Statements" on page 131 of this Prospectus. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP", on page 163 of this Prospectus.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. The term "revenues" or "turnover" or " sales" as used in this discussion refers to the item titled "total sales (net of excise duty)" in our financial statements or " external sales (net)" as per segment results.

OVERVIEW OF THE BUSINESS OF THE COMPANY

GFL was set-up in the year 1990 by Dr. Rajaram Jaipuria, Chairman & Managing Director along with his son Shri Shishir Jaipuria, Managing Director as 100% Export Oriented Unit for manufacture of Cotton Yarn at 110 KM Stone, Delhi-Mathura Road, Tehshil Chhata, Distt. Mathura, U.P. Dr. Rajaram Jaipuria/Shri Shishir Jaipuria have experience in running a wide range of industry including composite textile mills, polyester fibre, sugar, coal & news paper publication etc.

Dr. Rajaram Jaipuria has a Doctorate Degree in Economics and is associated with various renowned Trade Associations/ Organisations and was Chairman of Indian Cotton Mills Federation (ICMF) and is a Committee Member of Federation of Indian Chamber of Commerce and Industry (FICCI).

Shri Shishir Jaipuria has a Bachelors Degree in Commerce and is the President of Northern India Textile Mills' Association (NITMA) and Vice Chairman of U.P. Committee of PHD Chambers of Commerce.

Ginni Filaments Limited (GFL) was set up for manufacture of Cotton Yarn with an installed capacity of 26208 spindles in 1990. The Unit has been expanding and diversifying since then and presently the Unit has 54432 spindles for manufacture of ring spun cotton yarn of NE 16 to 50, 960 rotors for manufacture of Open End cotton yarn of NE 6 to 16 and 27 Knitting Machines to produce single Jersey, Inter Lock, Rib Terry and Lycra Fabrics. A downward integration project for Dying & bleaching of knit Fabric has also been implemented recently.

Significant developments subsequent to the last Financial Statement

The authorised capital of the company has increased from Rs.60 Crores to 75 Crores by cancellation of unissued 15,00,000 Redeemable Preference Shares of Rs.100/- each and creation of further 3,00,00,000 Equity Shares of Rs.10/- each duly approved by members of the company in extra ordinary general meeting held on 15/07/2005.

Factors that may Affect the Results of Operations

- Cotton yield in the Country
- Fluctuations in Crude Oil Prices
- Fluctuations in Exchange rates
- Government rules and regulations relating to textile industry

Significant developments during the last 3 years

Capacity - addition, utilisation & Production.

3 Knitting Machines have been purchased from M/s Mayer, Germany for manufacturing of Knitted Fabrics with Lycra attachment. After installation of these machines the production capacity with regard to production of Fabric has increased.

During the year 2004, the company has received the substantial export Orders. In order to serve the export orders the company had entered into job service agreements with other spinning units during the year 2003-04 and got manufactured 2.04 Lacs Kgs. and 1.74 Lacs Kgs. of Yarn on job-work basis respectively. The same arrangement could not be implemented in

2004-05 and therefore, the company has decided to expand the Spinning Capacity to cater the growing demand of Yarn in International market as well as domestic market.

Special R&D efforts, Technological Collaborations & new investment

In order to enjoy the benefits of composite mill and in view of the slowdown of demand of grey knit fabric, the company had decided to install the production facility for Dyeing and Bleaching of Knitted Fabrics. The Plant was installed in a record time of less than 6 months from commencement of building construction work. The trial production has started w.e.f. 03/05/2005 and the commercial production has started w.e.f. 01/07/2005.

The total cost of the project and Means of Finance of Process House Project is as under:

Cost of the Project	-		**Rs.3957 Lacs**
Means of Finance			
Loan from J&K Bank	-	Rs.2270 Lacs	
Exim Bank	-	Rs. 500 Lacs	
Internal Accruals	-	Rs.1187 Lacs	**Rs.3957 Lacs**

For the aforesaid Project the company purchased world's best available Dyeing Machine from M/s THIES, Germany and Finishing Machines from M/s Santex, Switzerland, along with the lab equipments from M/s Data Color & M/s James Heal.The target market for the above product is Europe and domestic market. The company expects a good profitability out of the above project.

Besides the above, the company is doing R&D in the Yarn and Knit Fabrics in routine.

Interest :

Interest cost of the company has reduced substantially during the Financial Year 2003 by Rs.312 Lacs with further reduction in 2004 and 2005 mainly due to reduction in rate of interest by Financial Institutions under Debt Restructuring Scheme framed by Govt. of India for textile industry and reduction in US Libor rates. The above reduction in interest cost had contributed a lot for improving the profitability.

Raw Material:

The raw material of the company is Cotton. The cotton production scenario in India has improved substantially in Cotton Season 2004-05 and cotton production estimates are as under:

SL.NO.	YEAR	COTTON PRODUCTION
1	2003-04	170 Lacs Bales
2	2004-05	240 Lacs Bales
3	2005-06 (estimated)	270 Lacs Bales

Income Tax:

In view of availability of unabsorbed depreciation from previous years, company is presently paying only Minimum Alternate Tax (MAT) under the provision of income Tax Act 1961.

Dividends:

The company has paid the dividend @7.5% for the years 2003-04 and 2004-05.

Human Resources:

The company lays due emphasis on all round development of its human resources. The industrial relations continued to be cordial and satisfactory during the period.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditures and profits, as a percentage of total revenues, for the periods indicated.

The financial information for fiscal 2001, 2002, 2003, 2004, 2005 and quarter ended June 30, 2005 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the restatement is of individual line items in our income statement. Consistent with this presentation, in the comparison of our results of operations from fiscal to fiscal that follows in the table below, we have referred to individual line items on a restated basis. For the convenience of the reader, we have also provided a discussion of the nature and impact of the restatement for fiscal years 2001, 2002, 2003, 2004, 2005 and quarter ended June 30, 2005 after the comparison of the three periods.

RESULTS OF OPERATIONS **(Rupees in Lacs)**

SUMMARY PROFIT AND LOSS INFORMATION	FISCAL 2001	% of Total Income	FISCAL 2002	% of Total Income	FISCAL 2003	% of Total Income	FISCAL 2004	% of Total Income	FISCAL 2005	% of Total Income	FISCAL Quarter June' 2005	% of Total Income
Income												
Sales:												
-Of products manufactured by the Company (including excise duty)	17732.39		17130.94		17960.87		20414.12		18631.36		3903.60	
Less: Excise Duty	540.67		470.16		560.28		597.72		372.98		57.91	
Net Sales of products manufactured by Company	17191.72		16660.78		17400.59		19816.40		18258.38		3845.69	
-Of products traded by the Company	-		-		32.44		4.91		203.89		7.84	
-Of products not normally dealt in by the Company	-		-		-		-		-		-	
Total Sales(net of excise Duty)	17191.72	99.22	16660.78	99.66	17433.03	99.45	19821.31	99.58	18462.27	99.26	3853.53	99.64
Other Income	134.42	0.78	56.02	0.34	95.90	0.55	83.63	0.42	137.62	0.74	14.10	0.36
Total Income	**17326.14**	**100.00**	**16716.80**	**100.00**	**17528.93**	**100.00**	**19904.94**	**100.00**	**18599.89**	**100.00**	**3867.63**	**100.00**
Expenditure												
Materials	10981.98	63.39	9893.32	59.18	10566.47	60.28	12928.50	64.95	11699.45	62.90	2295.16	59.34
Manufacturing & Operating	2161.20	12.47	1845.36	11.04	2162.95	12.34	2241.09	11.26	2130.89	11.46	541.20	13.99
Personnel	700.54	4.04	728.91	4.36	781.76	4.46	822.22	4.13	951.29	5.11	228.54	5.91
Administration	582.57	3.36	509.79	3.05	501.55	2.86	575.05	2.89	546.77	2.94	136.49	3.53
Selling & Distribution Off-season Expenses charged	796.99	4.60	774.58	4.63	807.00	4.61	745.11	3.75	828.85	4.46	196.83	5.09

(Rupees in Lacs)

SUMMARY PROFIT AND LOSS INFORMATION	FISCAL 2001	% of Total Income	FISCAL 2002	% of Total Income	FISCAL 2003	% of Total Income	FISCAL 2004	% of Total Income	FISCAL 2005	% of Total Income	FISCAL Quarter June' 2005	% of Total Income
Net Decrease / (Increase) in Inventories of finished goods and work in progress	(773.36)	(4.46)	811.42	4.86	107.67	0.61	(258.01)	(1.30)	93.30	0.50	(238.20)	(6.16)
Sub Total	**14449.92**	**83.40**	**14563.38**	**87.12**	**14927.40**	**85.16**	**17053.96**	**85.68**	**16250.55**	**87.37**	**3160.02**	**81.70**
Operating Profit-EBIDTA	**2876.22**	**16.60**	**2153.42**	**12.88**	**2601.53**	**14.84**	**2850.98**	**14.32**	**2349.34**	**12.63**	**707.61**	**18.30**
Financing(Net)	1654.92	9.55	1285.98	7.69	973.11	5.55	882.45	4.43	851.47	4.58	213.52	5.52
Amortisation	9.98	0.06	25.56	0.15	22.46	0.13	21.13	0.11	21.13	0.11	5.08	0.13
Profit before Depreciation, Tax & Non-recurring items	**1211.32**	**6.99**	**841.88**	**5.04**	**1605.96**	**9.16**	**1947.40**	**9.78**	**1476.74**	**7.94**	**489.01**	**12.65**
Depreciation(Net of transfer from revaluation reserve)	1052.00	6.07	1090.67	6.52	1086.91	6.20	1065.44	5.35	1085.18	5.83	269.74	6.97
Net Profit/(Loss) before Tax & Non-Recurring Items	**159.32**	**0.92**	**(248.79)**	**(1.48)**	**519.05**	**2.96**	**881.96**	**4.43**	**391.56**	**2.11**	**219.27**	**5.68**
Current Tax	14.24	0.08	0.00	0.00	38.30	0.22	72.46	0.36	33.63	0.18	19.95	0.52
Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.36	0.09
Deferred Tax	0.00	0.00	0.00	0.00	57.80	0.33	267.15	1.34	200.47	1.08	(78.11)	(2.02)
Net Profit/(Loss)after Tax and before Non-Recurring Items	**145.08**	**0.84**	**(248.79)**	**(1.48)**	**422.95**	**2.41**	**542.35**	**2.73**	**157.46**	**0.85**	**274.07**	**7.09**
Exceptional Items	87.33	0.50	(2.92)	(0.02)	(63.55)	(0.36)	24.69	0.12	45.38	0.24	17.75	0.46
Net Profit/(Loss) after Tax	**232.41**	**1.34**	**(251.71)**	**(1.50)**	**359.40**	**2.05**	**567.04**	**2.85**	**202.84**	**1.09**	**291.82**	**7.55**

FISCAL COMPARISON

(Amt.Rs.Lacs)

PARTICULARS	Year Ended 31/03/02	Year Ended 31/03/03	Year Ended 31/03/04	Year Ended 31/03/05	Qtr. Ended 30/06/05
INSTALLED CAPACITY & PRODUCTION					
Spindles	54432	54432	54432	54432	54432
Knitting Machines	24	24	27	27	27
Rotors	960	960	960	960	960
Production					
Yarn (Lacs Kgs.)	152.57	156.15	156.65	154.06	39.41
Fabrics (Lacs Kgs.)	14.96	23.32	25.4	17.02	2.18

Uitilisation %	1st Quarter 2005-2006	2004-2005	2003-2004	2002-2003
Ring Spinning	98.71	98.48	98.68	98.52
Open End Spinning	98.03	97.22	96.67	97.21
Knitting	29.66*	54.35*	85.94	85.70

* The Company has since installed Process House which has begun commercial production from 1st July 2005 in view of slow down of sale of grey fabric.

COMPARISON OF FISCAL 2003 WITH FISCAL 2002:

Net Sales:

Net Sales has increased during the Fiscal 2003 by Rs.772.25 Lacs. The main reason for increase in total sales was increase in the production of yarn and fabric.

Material expenses:

The cost of raw material consumed has increased by 1.1% to total income during the fiscal 2003 as compared to fiscal 2002. The main reason for increase was increase in cotton prices.

Manufacturing & Operating expenses:

There was increase in manufacturing and operating expenses by 1.30%. to total income during the fiscal 2003 as compared to fiscal 2002. The aforesaid increase was mainly on account of increase in the prices of F.O. in the international market.

Administrative expenses:

The administrative expenses have decreased by 0.19% to total income in comparison to the previous year mainly on account of increase in the rent, rates & taxes etc.

Personnel Expenses:

The Personnel expenses have increased by Rs.52.85 Lacs mainly on account of annual increments given to the employees during the year.

Selling and distribution expenses:

The selling and distribution expenses has decreased by 0.02% to total income during the fiscal 2003 as compared to the previous year on account of decrease in commission expenses and repairs.

Interest:

There was a saving in interest cost during the fiscal 2003 as compared to previous year amounting to Rs.312.87 Lacs on account of lower US Libor rates, reduction in interest rate on RTL and repayment of Term Loan during the year.

Profit Before Tax:

Profit before tax has increased by Rs.767.84 Lacs during the fiscal 2003 as compared to previous year. The main reasons for increase in profitability were increased level of activities, saving in interest cost, & better sales realisation.

COMPARISON OF FISCAL 2004 WITH FISCAL 2003:

Net Sales:

Net Sales has increased during the Fiscal 2004 by Rs.2388.28 Lacs. The main reasons for increase in total income were that during the year, the realisation of Yarn and Knit Fabric prices were higher in 2004. Company also received the substantial export orders and the company had entered into agreement for job services of the spinning units and got manufactured 2.04 Lacs Kgs. and 1.74 Lacs Kgs. of Yarn on job-work basis.

Material expenses:

The cost of raw material consumed has increased by 4.67% as percentage to income during the fiscal 2004 as compared to fiscal 2003. The main reason for increase was increase in cotton prices.

Manufacturing and Operating expenses:

Manufacturing and operating expenses has been reduced by 1.08% to total income as compared to previous year. The aforesaid saving was mainly on account of lower cost of power generation and energy conservation in yarn production.

Administrative expenses:

The administrative expenses have increased by 0.03% to total income in comparison to the previous year mainly on account of decrease in the rates & taxes.

Personnel Staff:

The staff cost has increased by Rs.40.46 Lacs mainly on account of annual increments given to the employees during the year.

Selling & Distribution expenses:

Selling & Distribution expenses has decreased by 0.86% to total income during the fiscal 2004 as compared to the previous year on account of decrease in freight and provision of doubtful debts.

Interest:

There was a saving in interest cost during the fiscal 2004 as compared to previous amounting to Rs.90.66 Lacs on account of lower US Libor rates and repayment of Term Loan during the year.

Profit Before Tax:

Profit before tax has increased by Rs.362.91 Lacs during the fiscal 2004 as compared to previous year. The main reasons for increase in profitability were increased level of activities, saving in interest cost, saving in Power & Fuel cost & better sales realisation.

COMPARISON OF FISCAL 2005 WITH FISCAL 2004:

Net Sales:

The Net Sales has decreased during the Fiscal 2005 by Rs.1359.04 Lacs. In order to serve the export orders the company had entered into Job-Service agreements with other spinning units during the year and got manufactured 2.04 Lacs Kgs. of Spun Yarn and 1.74 Lacs Kgs. of Open End Yarn on job-work basis in fiscal 2004 but the activity of job work could not be carried out during the fiscal 2005 due to non availability of the other spinning mills. Decrease in sale realisation also resulted in decrease in turnover. Slowdown of grey Knit Fabrics market and reduction in the rates of foreign currencies also contributed in reduction of sales.

Material expenses:

The material expenses have decreased by 2.05% to total income during the fiscal 2005 as compared to fiscal 2004. The reasons for decrease in raw material consumed was reduction in Cotton prices.

Manufacturing and Operating expenses:

Manufacturing and operating expenses were increased by 0.20% of total income due to increase in Power & Fuel expenses mainly on account of increase in Oil prices in the international market.

Administrative expenses:

There was an increase in administrative expenses by 0.05% to total income as compared to the previous year on account of general increase in administrative expenses.

Personnel expenses:

The staff cost has increased by Rs.129.07 Lacs mainly on account of increments given to the employees including whole-time directors during the year.

Selling and distribution expenses:

Selling and distribution expenses have increased by 0.71% during the fiscal 2005 as compared to the previous year on account of increase in the freight & selling expenses, commission on sales & exchange loss on forward contracts etc.

Interest:

There was a saving in interest cost during the fiscal 2005 as compared to previous year amounting to Rs.30.98 Lacs mainly on account of repayment of Term Loan during the year.

Profit before Tax:

Profit before tax was lower by Rs.490.40 Lacs during the fiscal 2005 as compared to previous year. The main reasons for decrease in profitability were due to decrease in sale realisation, increase in Power & Fuel, other manufacturing expenses and Staff Cost.

COMPARISON OF QUARTER ENDED JUNE 2005 WITH FISCAL 2005:

Net Sales:

The Net Sales during the 1st quarter was lower than the average sales during Fiscal 2005 due to decrease in the sale prices of yarn in the international market, slowdown of grey Knit Fabrics market and reduction in the rates of foreign currencies.

Material expenses:

The material expenses have decreased by 3.56% to total income during the quarter ended on June 2005 as against the material expenses during the fiscal 2005. The reason for decrease was reduction in Cotton prices in India due to increase in productivity.

Manufacturing and operating expenses:

There was an increase in Manufacturing and operating expenses by 2.53% to total income as against the expenses during the fiscal 2005 on account of substantial increase in Oil prices in the international market.

Administrative expenses:

There was increase in administrative expenses by 0.59% to total income as compared to the previous year on account of general increase in the administrative expenses.

Personnel expenses:

The average personnel expenses have increased marginally on account of increase in personnel expenses.

Selling and distribution expenses:

There was increase in expenses by 0.63% to total income as compared to the previous year on account of increase in freight and commission expenses.

Interest:

There was an increase in average interest cost during the quarter as compared to previous year mainly on account of increase in US Libor.

Profit before Tax :

Profit before tax was Rs. 219.27 Lacs during the quarter ended on June 2005 as against Rs. 391.56 lacs during fiscal 2005. The main reasons for increase in profitability was decrease in raw material prices and other manufacturing expenses.

As there are no segments, separate segment reporting is not required.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity:

We depend on both internal and external sources of liquidity to fund working capital and capital expenditure. We have traditionally funded our working capital requirements and capital expenditures from internally generated funds, equity funds and debt financing. In respect of the debt funding of working capital, we make use of pre-shipment and post-shipment export credit, cash credit limits from banks whereas for project or capital expenditure debt financing, we generally enter into long term borrowings in the form of term loans or debentures, which may be in Rupees or foreign currencies. As of June 30, 2005, we had cash and cash equivalents of Rs.404.87 Lacs, which represented a decrease of Rs. 66.15 Lacs over fiscal 2005. As of June 30, 2005, we also had committed but undrawn credit facilities of Rs. 464 Lacs in respect of term loans and Rs. 2670 Lacs in respect of working capital finance.

Dividends:

The dividends declared by us for the last three fiscal years are presented below:

Statement of Dividend paid for the last five years

Financial Year	Dividend %	Dividend per share (Rs.)	Dividend Amount (Rs.in lacs)	Dividend Tax (Rs.in lacs)	No. of share	Class of Shares
2000-2001	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2001-2002	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2002-2003	NIL	-	NIL	NIL	33000000	Equity shares of Rs.10/-each
2003-2004	7.50	0.75	247.50	31.71	33000000	Equity shares of Rs.10/-each
2004-2005	7.50	0.75	247.50	34.71	33000000	Equity shares of Rs.10/-each

Dividends are approved at the annual general meeting of our shareholders based on the recommendation of our Board. Our Board may also declare interim dividends. Our Board considers a number of factors in making a recommendation to pay dividends, including but not limited to, profits earned during the fiscal year, future capital expenditure plans, cash flow situation, financing needs and shareholders interest. The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Known Trends or Uncertainties:

Except as described in this Prospectus in general and the section titled “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations”, in particular, to our knowledge, there are no known trends or uncertainties that have or had or expected to have any material adverse impact on revenues or income of our Company from continuing operations.

Future Relationship between Cost and Income

Review of trends in the textile industry over the past few years shows positive improvements in terms of rationalisation and streamlining of cost by the policy makers. Hence, we do not foresee any factors that would adversely affect cost as a percentage of revenue. Rather the rationalisation of duties and excise is expected to have a positive impact on the industry.

New Products or Business Segment

As discussed in the section “Our Business” the Company proposes to enter the nonwoven and garments segment. Apart from these, the Company, currently, has no plans of entering into any other business segment.

Seasonality of Business

The raw material of the company is Cotton which is an agricultural product. The Cotton crop season in India is from September till March/April. Good quality Cotton is generally available in peak Cotton months i.e. November to February. The prices of Cotton remains competitive during the crop season, therefore, the profitability of the company in generally better in the second half of the financial year as compared to the first half of the financial year. The above is applicable during years of normal monsoon when the crop production is good. However, in the years of bad monsoon the position may differ.

Competitive Conditions

Refer to the section titled “Our Business” and “Risk Factors” on pages 70 and ix of this Prospectus for details regarding competitive conditions.

VI LEGAL & OTHER INFORMATION

VI.1 OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors and our subsidiaries that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Directors.

VI.1.1 Litigation against our Company

A. Contingent liabilities not provided for as on June 30, 2005

	Particulars	**Amount (Rs. in lacs)**
1.	Bills discounted with banks	1711.15
2.	Disputed demands under excise, income tax, sales tax and electricity	34.17
3.	Claims against the Company not acknowledged as debt.	13.93
4.	Outstanding commitments for capital expenditure	
	(Net of advance)	7763.52
	Total	**9522.77**

B. Outstanding Litigation against the Company

1. Excise Cases

(i) Excise duty on sale in Domestic Tariff Area

Excise Department raised a demand for payment of excise duty on knit fabric sold in Domestic Tariff Area during the period July 1997 to May 1998 on the basis of duty on raw material i.e. yarn captively consumed in manufacture of the relevant knit fabric. Company paid a sum of Rs. 3,22,756 pertaining to the period July, 1997 to December, 1997 on sale of knit fabric in Domestic Tariff Area and subsequently claimed refund of the same. Company did not pay the duty on knit fabric for the period January, 1998 to May, 1998 amounting to Rs. 1,74,926.

Vide order dated 19.5.2002 (communicated to Ginni Filaments Limited on 13.9.2002), Dy. Commissioner of Excise, Aligarh rejected the refund claim of Rs.3,22,756 and raised demand of Rs. 2,62,926 (including penalty of Rs. 88,000). Company filed appeal before Commissioner (Appeals). The last hearing took place on 20.4.2005 and vide order dated 29.08.2005 Commissioner (Appeals) dismissed the demand of Rs. 2,62,926 (including penalty of Rs. 88,000) and set aside refund claim of Rs. 3,22,756 on account of undue enrichment. Company proposes to file an appeal against the order.

(ii) Excise duty on imported cotton

Excise department issued a show cause notice No.1447 on 11/11/92 for demand of Rs. 2.73 lacs as the duty amount on imported cotton burnt in the fire during the month of June, 1992. The Company replied to show cause notice stating that since the cotton was burnt in fire hence no duty was payable on the same. No order raising the demand has been passed by the department. Since no demand has been raised, the same has not been shown as contingent liability in the books of accounts.

(iii) Excise duty on imported cotton

Excise department has raised a show cause notice No.C.NO.PF/GINNIFILAMENTS/92/391 on 12/04/93 for demand of Rs. 66 lacs as the duty amount on cotton yarn burnt in the fire during the month of October, 1992. The Company replied to show cause notice stating that since the cotton yarn was burnt in fire hence no duty was payable on the same. No order raising the demand has been passed by the department. Since no demand has been raised, the same has not been shown as contingent liability in the books of accounts.

2. Service Tax Cases

(i) Service tax on transportation services

Excise Department vide their order dated 30/05/2000 demanded a sum of Rs. 3,15,152/- towards service tax on transportation services in view of amendments in Finance Act, 2000 for the period from November 1997 to April 1998. The aforesaid sum of Rs. 3,15,152 was paid earlier and in view of the judgement of Supreme Court of India in another case [Laghu Udyog Bharti & others V/s. Union of India and others as reported in 1999 (112) ELT 365 (S.C.)], the same was refunded to the Company.

Subsequently, in view of amendment in Finance Act 2000, demand was again raised on the Company in respect of service tax for past period as mentioned above. The Company filed writ petition before Delhi High Court on the ground that service tax on transportation cannot be recovered by amendment of Finance Act with retrospective effect. The amount of service tax has been deposited in Delhi High Court as per their order. The case is pending before the court and date of hearing is yet to be fixed.

3. Sales Tax cases

(Amount in Rs.)

Assessment Year	**Entry Tax demand**	**Deposit under protest**	**Status**
1999 – 2000	1,35,218.00	33,804.00	Company filed appeal before the Commissioner 2000 (Appeals) and thereafter before the Sales Tax Tribunal and both appeals were decided against the Company. Thereafter Company filed an appeal before the Allahabad High Court. The demand has been tayed by Allahabad High Court uptill disposal of the case. The matter is pending before the High Court and the next date of hearing is yet to be fixed.
2000– 2001	10,98,024.00	2,74,506.00	
2001 – 2002 (Upto June 18, 2001)	42,026.00	6,304.00	Company has filed an appeal before Commissioner (Appeals) where the matter is currently pending.
Total	12,75,268.00	3,14,614.00	

4. Income Tax Cases

(i) Appeal before Income Tax Appellate Tribunal, Agra - Assessment year 2001-2002

For the Assessment year 2001-2002, ACIT passed an order u/s 143(1) of the Income Tax Act, 1961 and levied an aggregate amount of Rs. 2,16,900/- as interest under section 234B and section 234C of the Companies Act, 1956.

Company filed an appeal before CIT (Appeals). CIT (Appeals) vide its order dated 11/02/2003 partially allowed the appeal by confirming following levies:

(i) Rs. 1,11,100/- u/s 234 B

(ii) Rs. 90,900/- u/s 234 C

Company filed an appeal before Income Tax Appellant Tribunal, Agra on 31/03/2003 against the order of CIT (Appeals). The appeal is pending before the said tribunal and the date of next hearing is yet to be fixed. The aforesaid amount has been paid under protest by the Company and, no provision has been made in the books of the Company to meet such liability in case the same arises in future.

(ii) Writ petition before Allahabad High Count – Assessment years 2000-01 and 2001-02

The ACIT, Mathura vide order dated 18/06/2003 reopened the assessment for the assessment years 2000-01 and 2001-02 under section 147 read with section 148 of Income Tax Act, 1961. The Company filed a writ petition before Allahabad High Court on 07/10/2004 (Writ Petition No. 1402 and 1403 of 2004) challenging the issuance of notices by the ACIT. The High Court admitted the petition and granted stay on notices. The matter is pending before the court and next date of hearing is yet to be fixed.

5. Cases Relating to Other Statutory Charges

(i) GFL V/s. MVDA Mathura

The Company filed a writ petition in December 1999 for stay of order of Mathura Vrindavan Development Authority ('MVDA') for recovery of development/compounding charges of Rs.38,36,500/- from the Company. Hon'ble High Court, Lucknow vide order dtd. 7.12.1999 has stayed the operations of aforesaid order of MVDA. The matter has been settled with MVDA and the Company deposited the amount as revised by MVDA. There is no outstanding dues payable by the Company against order passed by MVDA. However, the Company is yet to withdraw the case from the Hon'ble High Court, Lucknow.

(ii) GFL V/s. Mandi Samiti, Kosi Kalan

Petition was filed by the Company in 1998 for stay against Mandi Tax amounting to Rs. 24,86,997/- for the period from July 1994 to October 1998 levied by Mandi Samiti, Kosi Kalan. Meanwhile Mandi Samiti has recovered the entire amount alongwith interest and collection charges from the Company by issuing a Recovery Certificate under UP Zamindari & Land Abolition Act. The Company have filed amendment application with the Allahabad High Court informing the aforesaid incident in continuation of the writ petition for refund of interest and collection charges paid by the Company to Mandi Samiti. The matter is pending before the court and the next date of hearing is yet to be fixed.

(iii) GFL V/s. Union of India & Others

The Company filed a petition on May, 1993 before Hon'ble High Court, Allahabad against orders of Textile Exports Promotion Council for imposing the penalty of Rs. 54,600/- for not fulfilling its export obligations to Italy. Interim stay was granted to the Company by Hon'ble High Court, Allahabad. The matter is pending before the court and the next date of hearing is yet to be fixed.

(iv) GFL V/s. Uttar Pradesh State Electricity Board

The electricity duty surcharge was levied on generation of electricity from Jan. 1997 to Feb. 6, 1998 @ 0.03 paise per unit. The total estimated liability for this period is Rs. 12,18,820. Out of this total liability, Company has paid, under protest, electricity surcharge of Rs. 1,43,844 for the months of Jan., 1997 and Feb., 1997. The case (No. 23/97) was filed in July 1997 by the Company before the District Court, Mathura. Court granted stay on the demand of the Electicity Board on submission of Bank Guarantee by the Company. The case is pending before the court. The demand is not provided in the books of accounts.

6. Civil cases

(i) GFL V/s. Ginni International Ltd., New Delhi

Ginni Filaments Ltd. (GFL) had transferred some machinery to Ginni International Ltd. (GIL) on rent in 1997 and 1998. GIL did not pay hire charges September 2000 onwards. Hence, Company filed a civil suit against GIL in Delhi High Court on 29.08.2003 for recovery of Rs. 98.67 lacs including interest. The matter is pending before the court.

7. Labour Disputes

There are six disputes and claims relating to labour and service matters, which have been filed by trade unions, employees of our Company and contract labourers employed by contractors for carrying out works in our Company. The total amount of claims in cases where financial claims have been made aggregates to approximately Rs. 12.21 Lacs (as on August 31, 2005). In these cases, claims have been raised for *inter alia*, damages, compensation, reinstatement in service with payment of back wages, etc. Details of the cases are as below:

(i) A case was filed by Shri Kishan Singh on 29.09.1997 before the Asstt. Labour Commissioner/Conciliation Officer, Mathura claiming 50% wages upto June, 1997 under the Industrial Disputes Act. After hearing, Asstt. Labour Commissioner, Mathura transferred the case to Deputy Labour Commissioner, Agra. Thereafter, Deputy Labour Commissioner referred the case to Industrial Tribunal, Agra, where the case is pending at present. The next date of hearing is yet to be fixed.

(ii) A case was filed by Shri Lakhmi Chand on 05.09.1998 for his reinstatement. The case was filed before the Asstt. Labour Commissioner, Mathura after failure of conciliation proceedings. The Assistant Labour Commissioner, Mathura referred the case to Deputy Labour Commissioner, Agra for conciliation proceedings. After failure of conciliation proceedings, Deputy Labour Commissioner, Agra referred the case to Labour Court, Agra where the case is pending at present.

(iii) A case was filed by Shri Hardayal before the Deputy Labour Commissioner, Agra on 05.08.2000 for his reinstatement. Deputy Labour Commissioner, Agra referred the case to Labour Court, Agra. Employee approached the Labour Commissioner, Kanpur for transfer of above case to Labour Court, Kanpur. Labour Commissioner, Kanpur transferred the case to Labour Court, Kanpur. Company filed a writ petition before the Allahabad High Court on 09.05.2003 against such transfer of case. The Allahabad High Court granted interim stay on such transfer of case. The matter is pending before Labour Court, Agra and next date of hearing is yet to be fixed.

(iv) A case was filed by Shri Ved Prakash before the Deputy Labour Commissioner, Agra on 05.08.2000 for his reinstatement. Deputy Labour Commissioner, Agra referred the case to Labour Court, Agra. Employee approached the Labour Commissioner, Kanpur for transfer of above case to Labour Court, Kanpur. Labour Commissioner, Kanpur transferred the case to Labour Court. Company filed a writ petition before the Allahabad High Court on 09.05.2003 against such transfer of case. The Allahabad High Court granted interim stay on such transfer of case. The matter is pending before Labour Court, Agra and next date of hearing is yet to be fixed.

(v) A case was filed by Shri Shankar Dayal under section 2(a) of Industrial Dispute Act, 1947 before Assistant Labour Commissioner Office, Mathura on 09.04.2001 for conciliation. Conciliation Proceedings have been completed. Assistant Labour Commissioner referred the matter to Deputy Labour Commissioner, Agra. Deputy Labour Commissioner, Agra referred the case to Labour Court, Agra where the case is presently pending and next date of hearing is yet to be fixed.

(vi) A case was filed by Shri Munsi Ram under section 2(a) of Industrial Dispute Act, 1947 before Assistant Labour Commissioner Office, Mathura on 09.04.2001. The Assistant Labour Commissioner, Mathura referred the case to Deputy Labour Commissioner, Agra for conciliation proceedings. After failure of conciliation proceedings, the Deputy Labour Commissioner, Agra referred the case to Industrial Tribunal, Agra where the case is pending at present. The next date of hearing is yet to be fixed.

C. Other Cases Involving The Company

Cases filed by the Company under the Negotiable Instrument Act

(i) GFL V/s M/s Fabritex Exports, Baroda

The Company filed a case under Negotiable Instrument Act in respect of dishonour of cheque of Rs. 9,73,000 before the court of civil judge, Chhata, District Mathura, U.P. in June 2000. The Court issued summons to Fabritex Exports. In the meanwhile, Fabritex Exports filed case (Case No. 2856 of 2001) against the Company and directly obtained interim order (dated 22.06.2001) from Allahabad High Court staying the proceedings in the Court of Civil Judge, Chhata. Company filed, in September 2001, its reply and an application praying vacation of stay granted by the High Court. Fabritex Exports filed rejoinder on December 2001. The matter is yet to come up for hearing.

(ii) GFL V/s. World Tex Ltd.

The Company had filed a case on 5th December 2000 before Chief Metropolitan Magistrate, Patiala House against World Tex Ltd. under Negotiable Instrument Act in respect of dishonour of cheque of Rs. 4,14,048. World Tex Ltd. filed an application before the court for dismissal of our above said application and recalling of summoning order. Trial court passed an order dated 07.05.2003 dismissing World Tex's application. Meanwhile, World Tex filed an appeal before the Delhi High Court and Delhi High Court passed an order dated 27.05.2003 staying the proceedings of the trial court. Company filed its reply and after hearing the petition, Court dismissed the petition filed by World Tex Ltd. Thereafter, proceedings continued before the trial court and order was passed by the court in favour of the Company. Subsequently, a compromise statement was entered into between World Tex Ltd. and Company to pay a sum of Rs. 7,75,000 by World Tex to the Company in monthly instalments starting from 16.08.2005 to 16.02.2006. Based on the compromise reached between the parties, an application for compounding was moved before the court by the accused, which has been taken on record by the court and order was passed by the court compounding the offence on 03.08.2005.

(iii) GFL V/s. M/s Tripson Traders, Ludhiana

The Company filed a case under Negotiable Instrument Act on 06.01.2004 in respect of dishonour of cheque of Rs. 57,000/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi. The matter is pending before the court.

(iv) GFL V/s. M.V. Cotspin Ltd.

The Company filed a case under Negotiable Instrument Act on 26.10.2004 in respect of dishonour of cheque of Rs. 3,00,000/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi against M.V. Cotspin Ltd. and its directors Mr. Vivek Aggarwal and M. C. Aggarwal. The matter is pending before the court.

(v) GFL V/s. M.V. Cotspin Ltd., New Delhi

The Company filed a case under Negotiable Instrument Act on 23.12.2004 in respect of dishonour of cheque of Rs. 14,00,000/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi against M.V. Cotspin Limited and its directors Mr. Vivek Aggarwal and M. C. Aggarwal. The matter is pending before the court.

(vi) GFL V/s. M/s Aspean Crew, Noida, U.P.

The Company filed a case under Negotiable Instrument Act on 07.03.2005 in respect of dishonour of cheque of Rs. 1,61,275/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi against M/s Aspean Crew and its partner Mr. Ashish Gulati. The matter is pending before the court.

(vii) GFL V/s. M/s Vijayata Knit Fab, New Delhi

The Company filed a case under Negotiable Instrument Act in respect of dishonour of cheque of Rs. 1,75,000/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi on 25.04.2005 against M/s Vijayata Knit Fab, New Delhi and its Proprietor Shri G.D. Sharma. The matter is pending before the court.

(viii) GFL V/s. M/s Banga Knitting & Dyeing Mills, New Delhi

GFL supplied knit fabrics to the said M/s Banga Knitting & Dyeing Mills, New Delhi. The cheque for Rs. 49,000/- issued by the said party was dishonoured. The Company filed a case under Negotiable Instrument Act in respect of dishonour of cheque of Rs. 49,000/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi on 25.04.2005 against M/s Banga Knitting & Dyeing Mills and its Partner Mr. Vicky Banga. The matter is pending before the court.

Miscellaneous cases

(i) GFL V/s. Agmotex Ltd., New Delhi

Company filed a criminal complaint under section 420 and 406 of Indian Penal Code before the Court of Judicial Magistrate, Chhata, District Mathura, U.P. on 18.07.2005 against Agmotex Ltd. and its director Mr. Shishir Agarwal for recovery of an amount of Rs. 53,177/- due from them. The matter is pending before the court.

(ii) GFL V/s. M/s Campari, New Delhi

Company filed a criminal complaint under section 420, 406 and 120B of Indian Penal Code before the Court of Judicial Magistrate, Chhata, District Mathura, U.P. on 18.07.2005 against M/s Campari and its proprietor Mr. Sunil Mehra for recovery of an amount of Rs. 71,557/- due from them. The matter is pending before the court.

(iii) GFL V/s. M/s JMD Overseas, New Delhi

Company filed a criminal complaint under section 420, 406 and 120B of Indian Penal Code before the Court of Judicial Magistrate, Chhata, District Mathura, U.P. on 18.07.2005 against M/s JMD Overseas and its authorised representative Mr. Raj Kumar Kak for recovery of an amount of Rs. 2,47,984/- due from them. The matter is pending before the court.

(iv) GFL V/s. Joginder Kaur Sawhney

The Company had taken premises located in West End, New Delhi on lease. The Landlord locked the main gate resulting into no entry and exit for the occupants. The Company filed a case in the court of Senior Civil Judge, New Delhi in September 2002 praying directions for opening the main gate. The matter is pending before the court.

(v) GFL V/s. New India Assurance Company

The D.G. Set Sl.No.6145 was damaged in fire on 12/08/98. The Company filed the insurance claim for Rs. 30,83,080 before New India Assurance Company under fire Policy No.11-004. New India Assurance Company refused to pay the claim by alleging that the claim was not payable since the Company has failed to show the necessary salvage. Thereafter, Company filed a complaint on 18.07.2002 before National Consumer Dispute Redressal Commission, New Delhi under Consumer Protection Act, 1986, vide O.P. No.150. The Company has also filed the Rejoinder against the submissions/objections made by the opposite party. The next date of hearing is yet to be fixed. The sum of Rs. 30,83,080 has been shown as receivable in Company's books.

(vi) GFL V/s. New India Assurance Company

There was a fire on 28/02/1997 in the Cotton Waste Godown No.4 of the Company. Total claim of the Company was Rs.13.74 Lacs. New India Assurance Company paid Rs.11.13 Lacs only alleging under-insurance due to storing of imported machinery in packed condition at floor which was not included in insurance policy. The Company filed the case before State Consumer Dispute Redressal Commission, New Delhi vide Complaint No.11/2000, where the matter is currently pending. The sum of Rs.2.92 Lacs has been shown as receivable in Company's books.

(vii) M/s. Generic Enterprises Corporation, Philippines

An irrevocable Letter of Credit was opened by Banco De Oro Universal Bank, Manila, Philippines, for supply of Yarn to M/s. Generic Enterprises Corporation, Philippines as per details given below:-

Sl. No.	Invoice No.	Amount (USD)	Due Date
1.	G/547	46153.80	13/07/2001
2.	G/548	46153.80	19/07/2001
3.	G/571	51563.03	30/07/2001

Company's banker, The Federal Bank Limited, New Delhi negotiated documents under LC and the same were accepted by LC opening bank. The buyer has obtained a restraint order prohibiting LC opening Bank for making payment against LC documents from trial court at Philippines on the ground that the quality of the goods was not as per specification. Based on legal opinion, the Company has taken suitable legal recourse before trial court and pleaded before trial court that they have no jurisdiction over our Company. Trial court has rejected the Company contentions. Company filed reconsideration application before trial court but the same was also rejected by the trial ourt. Thereafter, Company filed an appeal against the order of trial court before Court of Appeal. The Court of Appeal's passed an order against the Company. The Company now has filed an appeal before Supreme Court of Philippines where the matter is currently pending.

(viii) Arbitration against Cottex Limited, Athens, Greece.

GFL had entered into 5 contracts for imports of Cotton from M/s Cottex Limited ("Cottex"), 7EL Venizelou Str & Deltan, GR-14452 Metamorfosi, Athens, Greece. Cottex partially executed the contracts and did not complete its supplies under contracts. These contracts were subject to the arbitration under Liverpool Cotton Association ("LCA").

On account of non-supply of the contracted Cotton, GFL approached LCA for arbitration proceedings under LCA Rules. LCA awarded the arbitration award on 11th November, 2003 according to which Cottex was to pay US$ 5,49,307 (including interest) to GFL towards invoicing back of the non-fulfilled Contracts. The Cottex preferred an appeal before Appellate Committee of LCA. The Appellate Committed of LCA modified the arbitration award and passed an Appellate Order on 25th June, 2004 whereunder Cottex was directed to pay a sum of US$ 3,11,355.19 along with interest amounting to US$ 4,832.40 to GFL. In addition further interest is to be paid to GFL calculated upto the date of payment. The Company is taking-up the matter at the appropriate court in Greece for implementation of the arbitration award.

(ix) GFL V/s M/s Deewan Fabrics

The Company filed a suit u/s. 406 & 420 of Indian Penal Code in respect of outstanding of Rs. 17,58,716/- on 14.12.2004 before the court of Judicial Magistrate, Chhata, District Mathura, U.P. The matter is pending before the court.

VI.1.2 LITIGATION AGAINST OUR DIRECTORS OTHER THAN PROMOTERS

Our Directors have no outstanding litigation towards tax liabilities, criminal prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Company and other companies with which the Directors are associated.

VI.1.3 LITIGATION AGAINST SUBSIDIARY COMPANIES

There is no subsidiary of the Company.

VI.1.4 LITIGATION WHERE PROMOTERS ARE INVOLVED

1. The case was filed by Jaipuria Brothers Limited for correction of revenue record before the Sub Divisional Officer (SDO) Bhawanimandi under Section 88 of the Rajasthan Tenancy Act in the year 1999. In the said suit the said case one Shri Ram Lal Jaipuria filed an application in November, 1999 making Dr. Rajaram Jaipuria a party in the suit. Although he has no fiduciary interest in the land which is the subject matter of the suit. The application filed by Shri Ram Lal Jaipuria was rejected by the SDO and thereafter he went in appeal before the Board of Revenue, Ajmer. The said appeal is pending before the authority.
2. There is a case involving dispute regarding land owned by Shree Bhawani Anand Private Limited. In this case Sub Divisional Officer (SDO) passed an order on 28th October, 2004 to the fact that the Company is entitled to only 76 bighas 16 biswas land and there is surplus land of 173 Bigha and 7 Biswa which vests with the State Government of Rajasthan. The Company filed an appeal against the said order before the Collector Jhalawad, Rajasthan on 6th December, 2004. The appeal was dismissed by the Collector Jhalawad on 10th August, 2005 against which appeal has been filed before the Board of Revenue, Ajmer in September 2005 which is pending.
3. One Shri Ram Lal Jaipuria filed a suit before the Civil Judge, Junior Division at Bhawanimandi against Dr. Rajaram Jaipuria, Shree Bhawani Anand Private Limited and Government of Rajasthan stating that the land of 251 bighas 11 biswas is an ancestral property and cannot be sold without the approval of co-owners. The said suit is pending before the authority.
4. **Punjab National Bank Vs. Union of India & Others**

   Punjab National Bank filed a suit in 1985 before Delhi High Court praying delivery of securities hypothecated/pledged (amounting to Rs.3,31,83,751/-) available with the Company as on 13th April, 1978 when the management of the undertaking of the Company was taken over by the Central Government. In 1987 bank made application for impleading Dr. Rajaram Jaipuria being guarantor in the transaction. The Bank had since received the amount from the Commissioner of Payments and an amended written statement has been filed on behalf of Dr. Rajaram Jaipuria putting on record the said development. The matter is pending before the court.
5. Hindusthan Commercial Bank Limited filed a suit for recovery of Rs.40.97 lacs in the year 1979 in respect of loan granted to Swadeshi Cotton Mills Co. Limited. Subsequently, the said Bank merged with Punjab National Bank. After nationalisation Punjab National Bank filed its claim with regard to the above suit term loan before the Commissioner of Payments as Swadeshi Cotton Mills Co. Limited was taken over by the Central Government in the year 1978. Commissioner of Payments ordered that the bank has not entitled to receive payment under category 2. Punjab National Bank filed an appeal against the said order before the District Judge, Kanpur where the case is pending and the next date of hearing is fixed for April 10, 2006. Punjab National Bank is also pursuing another suit in respect of the said claim which is pending before the Debt Recovery Tribunal at Allahabad.
6. A suit was filed by Punjab National Bank before the District Judge, Kanpur for recovery of Rs.4.15 lacs from Swadeshi Cotton Mills Limited and also from Dr. Rajaram Jaipuria being the guarantor. The suit was decided against the bank by the District Judge, Kanpur vide order dated 23rd March, 1998. Punjab National Bank filed an appeal against the said order before the Allahabad High Court in 1998 where the appeal is pending and the next date of hearing is yet to be fixed. In the meanwhile, Commissioner of Payments has settled the dues of the banks but Punjab National Bank went an appeal against the award of Commissioner of Payments before the District Judge, Kanpur where the matter is pending.
7. United Bank of India is pursuing a suit pending before the Debt Recovery Tribunal for claiming interest in respect of credit facilities granted by it to Swadeshi Cotton Mills. The bank is claiming interest for the period from 31st March, 1985 till the

date of the payment on working capital facilities of Rs.1.25 crores. Dr. Rajaram Jaipuria has been impleaded in the suit as he was a guarantor for the said loan. The matter is pending before the Tribunal.

8. Swadeshi Mining and Manufacturing Company Limited (SMMC) subsidiary of erstwhile Swadeshi Cotton Mills Company Limited filed a suit Delhi High Court against various persons including Dr. Rajaram Jaipuria claiming an amount of Rs.2.61 crores. The Allahabad High Court has since ordered winding up of SMMC. The matter is pending before the court.

9. National Textiles Corporation filed a writ petition vide writ petition No. 25090 of 1994 in the Allahabad High Court which is yet to be admitted. The writ petition is with regard to the possession of immoveable property.

10. A contempt petition has been filed by NTC(UP) Ltd. (numbered as 75 of 2005) in the Supreme Court of India against several persons including Dr. Rajaram Jaipuria as Director of Swadeshi Cotton Mills Co. Ltd. alleging that the contemnor sold Swadeshi House No.2 situated at Civil Lines, Kanpur in violation of permanent injunction issued by Supreme Court, since the said property had vested in Central Government/NTC(UP) Ltd. under The Swadeshi Cotton Mills Co. Ltd. (Acquisition & Transfer of Undertakings) Act, 1986. Dr. Rajaram Jaipuria resigned from the directorship of Swadeshi Cotton Mills Co. Ltd. in 1988 whereas the said Swadeshi House No.2 was sold in December, 2004. The matter is pending before the court. .

VI.1.5 LITIGATION INVOLVING PROMOTER GROUP COMPANIES

1. **Case involving Jaipuria Brothers Limited:** For details please refer to case at S. No. 1. under section III "LITIGATION WHERE PROMOTERS ARE INVOLVED" on page 183.
2. **Case involving Shree Bhawani Anand Private Limited:** For details please refer to case at S. No. 2 under section III "LITIGATION WHERE PROMOTERS ARE INVOLVED" on page 183.
3. **Case involving Shree Bhawani Anand Private Limited:** For details please refer to case at S. No. 3 under section III "LITIGATION WHERE PROMOTERS ARE INVOLVED" on page 183.

VI.1.6 RECENT LITIGATIONS

1. **GFL V/s. Kanodia Hosiery Mill, Delhi**

   The Company filed a case under Negotiable Instrument Act in respect of dishonour of cheques of Rs. 2,56,302/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi on October 14, 2005 against M/s. Kanodia Hosiery Mill, Delhi and its partner Shri Ajay Kanodia. The matter is pending before the court.

2. **GFL V/s. Textile Solutions & Logistics, Noida**

   The Company filed a case under Negotiable Instruments Act in respect of dishonouring of cheques of Rs. 32,779/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi on October 22, 2005 against M/s. Textile Solutions & Logistics, Noida and its partners Shri Pradeep Poddar and Shri Anil Arora. The matter is pending before the court.

3. **GFL V/s. Naveen Enterprises, New Delhi**

   The Company filed a case under Negotiable Instruments Act in respect of dishonouring of cheques of Rs. 10,33,376/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi on October 22, 2005 against M/s. Naveen Enterprises, New Delhi and its proprietor Shri Naveen Kochhar. The matter is pending before the court.

4. **GFL V/s. R.S. International, Gurgaon**

   The Company filed a case under Negotiable Instruments Act in respect of dishonouring of cheques of Rs. 81,454/- before Additional Chief Metropolitan Magistrate, Patiala House, New Delhi on October 22, 2005 against M/s. R.S. International, Gurgaon and its proprietor Ms. Ritu Poddar. The matter is pending before the court.

VI.1.7 MATERIAL DEVELOPMENTS

Except as mentioned in this Prospectus, including the section titled "Management's Discussion and Analysis of Financial Statements and Results of Operations" on page 168 of this Prospectus and our financial statements included herein, no material developments have taken place after June 30, 2005, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company and its subsidiaries taken as a whole.

VI.2 GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Prospectus.

1. Approvals for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on 26th May, 2005, authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

The shareholders have, pursuant to a resolution dated 15th July, 2005 under Section 81(1A) of the Companies Act, authorised the Issue.

2. Approvals for our business

We have received the following Government and other approvals pertaining to our business:

2.1 Approvals/ Licences obtained

1. Factory License No. MTA-362 dated on 29/01/1997 to use the factory employing upto 1000 persons during the year and using motive power upto 2000 H.P. This license has been renewed and is now valid upto 31/12/2005.
2. Petroleum License No. P/HQ/UP/15/1389(P8792) for the importation and storage of 270 K.L. petroleum, dated 5th May 1994 by Ministry of Commerce and Industry, Department of Explosives, Agra. The said license is now valid upto 31/12/2007.
3. License under section 16(3) of Standard Weights and Measures Act, dated 30/06/04 with Nos- 0356119, 0356120. Dated 16/11/04 with Nos- 0356160; dated 14/1/03 with Nos. 026622 and 026621; dated 24/4/04 with Nos. 383488, 383490, 383491 and 383492.
4. License to store 8.37 MT Propane in two pressure vessels in the plan no.PV (CC) S-296/UP dated 30.11.98 under the Explosives Act. The license is valid upto 31/03/05 .
5. Approval under section 44 of the Electricity Supply Act, 1948 for 2X2800 KBA captive generating set at Rajendra Place, New Delhi dated 22/08/97 from UP State Electricity Board.
6. Approval under section 44 of the Electricity Supply Act, 1948 for 1X5250 KBA captive generating set at Chatta UP, dated 15/02/99 from UP State Electricity Board. Consent received from UP PCB on 6/5/99 for installation of the above generation set.
7. Approval under section 44 of the Electricity Supply Act, 1944 for 2500 KBA generating set at Chatta UP, dated 11/03/92 from UP State Electricity Board.
8. Approval under section 44 of the Electricity Supply Act, 1944 for 860 KBA for four generating sets at Vasant Vihar, New Delhi, dated 29/12/1999 from UP State Electricity Board.
9. N.O.C. from UP Pollution Control Board dated 25/04/05 for manufacture of knitted fabric and discharge of 600 KL per day.
10. NOC from UP Pollution Control Board dated 27/12/93 for expansion of the manufacture of cotton yarn to 14820 Kg per day.
11. NOC from UP PCB dated 30/12/97 for expansion of manufacture of cotton yarn from 14 MT per day to 28 MT per day.
12. Consent under section 25 of Water (Prevention and Control of Pollution) Act from UP PCB dated 18/1/05. The consent is valid upto 31/12/2005 for Chatta UP.
13. Consent under section 21 and 22 of Air (Prevention and Control of Pollution) Act from UP PCB dated 18/1/05. the consent is valid upto 31/12/2005 for Chatta UP.
14. **Industrial License under 100% EOU Scheme**

    Company was granted industrial license no. CIL:194 (90) dated 30th July, 1990 (as amended) for the establishment of a new undertaking in Tehsil Kosi Kalan, Dist Mathura (U.P.) for the manufacture of cotton yarn upto the capacity of 27, 216 spindles per annum subject to maintaining Value Addition of 33.77%.. The licensee is required to export 100% of the production for a period of 10 years. Under the terms of the LOI, the applicant is required to send a quarterly progress report of implementation of project to the Export Commissioner, New Delhi.

The Company was also granted another Letter of Intent No. LI:EOB:50 (89)/E.O.28(90)/IL, dated 28th June 1990 (as amended) to set up another undertaking for manufacture of cotton yarn for a capacity of 26, 784 spindles under 100% EOU Scheme at Dist Mathura (U.P.) with value addition of 28.5%.

Approval was granted vide letter dated 5th October, 1993 for implementing the project covered under the above two LOI in the same premises for smooth operation of the unit. The said capacity was enhanced to 54,000 and then to 54,432 spindles per annum subject to maintaining Value Addition of 31.25%. There was a broad banding of the following items of manufacture vide letter dated 6th September, 1994 by Ministry of Commerce- Cotton Yarn, Synthetic Fibres Yarn, Artificial Staple Fibres Yarn and Blended Yarn.

Another Letter of Permission No PER:621 (92)/E.O. 438 (88) dated 5th November, 1992 was granted for manufacture of knitted fabrics as a 'New Article' in the existing undertaking at Dist Mathura (U.P.) with a capacity of 24 knitting machines with additional imported capital goods Rs. 408 lakh and 33.77% value addition.

The LOP dated 5th November, 1992 was merged with Industrial License dated 30th July, 1990 vide letter dated 3rd April, 1997 from Ministry of Industry and the combined parameters in respect of yarn spinning and knitted fabric envisaged is-export turnover of Rs. 32459 lakh, with imported CG worth Rs. 4696 lakh, imported raw material and components worth Rs. 15368 lakh, imported spares worth Rs. 176 lakh and NFE of Rs. 10903 lakh in 5 years.

LOP No PER:108 (1995) /EOB/672(94) dated 23rd February, 1995 from Ministry of Industry for setting up a new industrial undertaking under 100% EOU Scheme in Dist Vadodera in Gujarat for manufacture of yarn and knitted fabric with the annual capacity of 80640 spindles and 18 machines respectively with a minimum value addition of 32% and imported capital goods worth Rs. 19500 lakhs c.i.f for the project. Approval was granted by the Ministry of Industry for shifting the location of the project from Dist Vadodera, Gujarat to Dist Mathura, Uttar Pradesh vide letter dated 4th December, 1996.

LOP No PER:266 (1997) /EOA/306(97) dated 16th September, 1997 from Ministry of Industry for setting up a new industrial undertaking under 100% EOU Scheme in Dist Mathura, Uttar Pradesh for manufacture of garments with annual capacity of 360000 pieces.

Vide letter dated 1st June, 1999, Ministry of Industry granted permission for merger of LOP NO. PER:CIL 1994/(90) dated 30th July, 1990 and LOP No PER:108 (1995) /EOB/672(94) dated 23rd February, 1995 under the EOU Scheme, and the revised export obligation was fixed at Rs. 117736.24 lakhs to be achieved in 4 years w.e.f 1998-1999. the value of imported capital goods is Rs. 24196 lakhs, the NFEE is Rs. 40453 lakhs and the projected NFEP (value addition) is 33%.

Vide letter dated 6th February, 2002, Ministry of Industry granted approval for extension of bonding period for 5 years from 1st April, 2002 onwards and revision in EP and NFEP. The approved items of manufacture are- 120672 spindles, 2400 Rotors, 2 Texturing Machines (for Cotton Yarn/Synthetic Fibre Yarn/Artificial Staple Fibre Yarn/Blended Yarn/Textured Polyester Yarn and wastes thereof); and 42 knitting machines for knitted fabrics.

Vide letter dated 2nd February, 2002, it was informed that the duty free import/procurement of goods will be permitted if the items are covered under relevant Customs and Central Excise exemption Notification.

15. License No. 0530137976/2/11/00 was granted to the Company on EPCG 5% FOB basis on 2nd February, 2005 by the Director General of Foreign Trade. The Company is required to meet the export obligation of Rs. 577,624,464 to GCA countries within a period of 8 years. The duty saved under the said license is Rs. 72,203,058.

2.2 Approvals/Licences for which renewals have been applied:

The following consents and licences have expired and are awaiting renewal:

1. Renewal of Petroleum License No. P/HQ/UP/15/1389(P8792 for the importation and storage of 270 K.L. Petroleum, dated 11th May, 2005 by Ministry of Commerce and Industry, Department of Explosives, Agra. The said license is now valid upto 31/12/2007. (original licence dated 5/5/94).
2. Renewal of License to store 8.37 MT Propane in two pressure vessels in the plan no. PV(CC) S-296/UP under the Explosives Act have been applied to the Joint Chief Controller of Explosives on 30.03.05.

2.3 Other Approvals/Registrations Obtained

1. Certificate of Recognition has been granted by Ministry of Commerce and Industry to Ginni Filaments Limited whereby it has been accorded the status of *Export House* in accordance with the provisions of the Exim Policy. The certificate is valid for a period of five years effective from 1st April 2002 to 31st March 2007.
2. Central Excise Registration Certificate under Rule 9 of the Central Excise Rules, 2002 with registration number-AABCG0942KXM001 dated 3/04/03. for operating as an Export Oriented Undertaking.
3. Central Excise Registration Certificate under Rule 9 of the Central Excise Rules, 2002 with registration number-AABCG0942KXM001 dated 21/10/04. for manufacture of excisable goods.
4. RBI granted approval vide letter dated 8th June, 1994 under section 29(1)(b) of FERA, 1973 for Shriram Holdings Ltd., Mauritius acquiring 54,41,799 equity shares of Rs. 10 each (39.82%) of Ginni Filaments Limited subject to certain conditions.
5. RBI granted approval vide its letter dated 19th March, 1997 to the Company under Section 19(1)(d) of FERA, 1973 to issue 1,40,44,300 equity shares of Rs. 10 each for cash at a premium of Rs. 1.70 amounting to Rs. 16,43,18,310 to OCBs with repatriation benefits subject to certain conditions.
6. *Certificate of registration by NQAQSR*- Quality Management System of GFL has been assessed and found to comply with the requirements of ISO 9001:2000 and IS ISO 9001:2000. The quality management system is applicable to manufacture and marketing of yarn and knitted fabrics. Other details of this certificate are as under:
   - Certificate No. 03/128/R
   - Date of Issue: 08/06/2003
   - Date of Initial Certification: 13/03/1997
   - Date of Recertification: 08/06/2003
   - Date of Expiry: 07/06/2006
7. Trade Union Registration No. 8875 dated 17th April, 2004 as ‘Textiles Trade Dhaga Vastra Avam Kaleen Karmchari Congress Agra Mandal’ Agra.

VII OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on 26th May, 2005, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on 15th July 2005.

We have also obtained all necessary contractual consents required for the Issue. For further information, see section titled "Government and Other Approvals" on page 185 of this Prospectus.

Prohibition by SEBI

Our Company, our Directors, our Promoters, directors or the person(s) in control of our Promoter Companies, our subsidiaries, our affiliates and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

Clause 2.3.1 of the SEBI Guidelines provides as under:

A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date:

Provided that 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), issue size does not exceed 5 times its pre-issue net-worth as per the audited balance sheet of the last financial year.

Provided further that in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period.)

We are eligible for the Issue as per above Clause as explained below:

There have been no previous Issues of the Company in the Financial Year 2006. The Proposed Issue of Rs. 60 Crores in this FY 2006 does not exceed five times the pre-Issue net worth which is Rs.33910.25 Lacs (5 x Rs. 6782.05 Lacs = Rs. 33910.25 Lacs) as per the audited accounts for fiscal 2005.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO 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 DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE

CERTIFICATE DATED 3rd October 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE

A. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

B. 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.

C. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

D. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCKIN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

E. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

F. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE 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 BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Disclaimer from our Company and the BRLM

Our Company, our Directors, and the BRLM accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.ginnifilaments.com would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us dated 30.9.2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and 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 or at bidding centres etc.

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, permitted insurance companies and pension funds and to permitted Non-Residents including NRIs, FIIs and eligible foreign investors. This Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this 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 New Delhi 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 observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares are only being offered or sold in the United States to “Qualified Institutional Buyers” as defined in Rule 144A under the US Securities Act, 1933 (“Securities Act”), and outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

Disclaimer clause of the NSE

As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter NSE/LIST/18017-J dated October 31, 2005 permission to the Issuer to use the Exchange’s name in this Prospectus as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this 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 Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; 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.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, “A” Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Our existing Equity Shares are listed on NSE.

Applications have been made to NSE for permission for listing of our Equity Shares being offered through this Prospectus.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by NSE, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s P.L Gupta & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Rs. in Lacs

Activity	Expense	As % of Total Issue Expense	As % of Total Issue Size
Lead Management, underwriting and selling commissions	144	37.23	2.40
Advertising and marketing expenses	65	16.81	1.08
Printing and Stationary expenses	106	27.41	1.77
Registrar Fees	20	5.17	0.33
Legal Advisor Fees	10	2.59	0.17
Others	41.75	10.79	0.70
Total estimated Issue expenses	**386.75**	**100.00**	**6.45**

Fees Payable to the Book Running Lead Manager and Syndicate Members

The total fees payable to the Book Running Lead Manager and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLM, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable 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 per the Memorandum of Understanding signed with our Company, a copy of which is available for inspection at the corporate office of our Company.

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.

Particulars regarding Public or Rights Issues during the Last Five Years

There have been no public or rights issue by the Company during the last five years.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has been only one public issue by the Company in the past in the year 1990. In the said issue underwriting commission was paid @ 2.5% and brokerage @ 1.5%.

Companies under the Same Management

We do not have any other Company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Promise vs. Performance – Last Three Issues

GFL came out with a public issue in the year 1990. The objects of the issue were to part finance the Company's project as described in the prospectus then issued and to meet the expenses of the issue. The comparison between promise and performance on significant issues is as under:

Particulars	Proposed	Actual
Date of commencement of Operations	Sep. 1990	Sep. 1990
Project Cost	Rs. 2290 Lacs	Rs. 2798 Lacs

Promise vs. Performance – Last Issue of Promoter Group Companies

Ginni Power Limited listed on the Delhi Stock Exchange is the only listed Promoter Group Company . The Company, formerly known as Asif Finance and Investment Company Ltd., came out with a public issue in the year 1983, when it was not a part of present Promoters of GFL. The object of the issue was to raise finance required for the Company's investment and finance business. No promises or projections were made in the prospectus.

For further details, see section titled "Our Promoters and Group Companies" on page 113 of this Prospectus.

Outstanding Debentures or Bonds

Deatails of outstanding debentures as on 30.06.2005:

(Rupees in Lacs)

Type of Debentures	Outstanding As on 30/06/2005	Rate of Interest Per Annum	Repayment Schedule
Non Convertible Debentures	600.00	9%	Phased repayment ending 15th Jan 2011
Zero rate Debentures	49.17	0%	Phased repayment ending 15th Jan 2011
Non Convertible Debentures	500.00	9%	Phased repayment ending 1st Jan 2011
Non Convertible Debentures	600.00	9%	Phased repayment ending 1st Jan 2011
Total	**1749.17**		

Outstanding Preference Shares

There are no outstanding preference shares.

Stock Market Data of our Equity Shares

The following table sets forth the number of Equity Shares traded on the days high and low prices of our Equity Shares as recorded on the NSE, unless otherwise mentioned, for the years 2002, 2003, 2004 and 2005.

Year	High Date	High Price Per Share (Rs.)	Number of Equity Shares Traded	Low Date	Low Price Per Share (Rs.)	Number of Equity Shares Traded
2002	08.07.2002	10.65	72444	26.03.2002	2.80	551
2003	29.12.2003	16.90	60331	12.03.2003	3.80	1005
2004	24.12.2004	24.75	152744	23.03.2003	7.20	7552
2005	31.08.2005	50.45	1217665	29.03.2005	17.00	31647

Data regarding the number of Equity Shares traded on the days high and low prices of our Equity Shares for the last six months preceding the date of filing of the Red Herring Prospectus with SEBI is given below.

The following table sets forth the total volume of Equity Shares traded and the volume of business transacted on the NSE during the years 2002, 2003 and 2004:

Year	Number of Equity Shares Traded	Volume of Business Transacted (Rs. in Lacs)
2002	1015764	74.22
2003	3804199	406.48
2004	6426603	1047.94

Data regarding the total volume of Equity Shares traded and the volume of business transacted during the six months preceding the date of filing of the Red Herring Prospectus with the Registrar of Companies is given below:

Month	Number of Equity Shares Traded	Volume of Business Transacted (Rs. in lacs)
May 2005	15,60,866	398.65
June 2005	13,73,615	371.19
July 2005	9,82,176	255.96
August 2005	1,55,41,900	6416.86
September 2005	43,82,349	2110.90
October 2005	10,49,369	376.08
November 2005	23,58,677	841.90

Other Disclosures

The closing price of our Equity Shares on the day after the Board of Directors authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act. And approval of the Issue by the Board of Directors was Rs.25.35and Rs. 42.90 respectively.

Except as disclosed in the section titled “Capital Structure” on page 13 of this Prospectus, our Promoter group, or the directors of our Promoter companies or our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The Memorandum of Understanding between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, 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, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

No complaint has been received by the Comnpany/BRLM subsequent to filing of DRHP with the SEBI.

We have appointed Mr. D. C. Gupta, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Ginni Filaments Limited
8th Floor, Padma Tower-II,
22, Rajendra Place,
New Delhi – 110 008.
India.
Tel: +91 11 25735852, 25735516;
Fax: +91 11 25751076, 25826593
E-mail: dcgupta@ginnifilaments.com
Website: www.ginnifilaments.com

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

Abinav Investments Private Limited is under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act. The Company is a private company and there has not been any investor grievances in the past.

Changes in Auditors

There has been following changes in the auditors in the last three years as per following details:

Sl. No.	Name of Auditors	Date of change	Particulars of change
1.	M/s B. Chhawchharia & Co.	16.08.2003	Resigned
2.	M/s P. L. Gupta & Co.	29.09.2003	Appointed

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of Assets

We have not revalued our assets in the past five years.

VIII ISSUE INFORMATION

VIII.1 TERMS OF THE ISSUE

The present Net Issue of 21818181 Equity Shares at a price of Rs. 22/- each for cash aggregating upto Rs. 4800 lacs is being made through a book building process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 10909090 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 3272727 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 7636364 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allocation	Up to 50% of Issue, 5% thereof to be specifically available for Mutual Funds.	Minimum 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	300 Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other categories at the discretion of our Company, in consultation with the BRLM.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post within 15 days of the Bid/ Issue Closing Date.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Bid/ Issue Closing Date; and
- We shall pay interest at 15% per annum, if Allotment letters/refund orders are not despatched and/ or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for despatch 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 the Escrow Collection Banks 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.

BID/ISSUE PROGRAMME

Bidding Period/Issue Period:

BID/ISSUE OPENS ON	**December 19, 2005**
BID/ISSUE CLOSES ON	**December 23, 2005**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the NSE on the Bid/Issue Closing Date.

The Price Band will be decided by our Company in consultation with the BRLM and announced and advertised at least one day prior to the Bid/Issue Opening Date. In the meantime, the investors may be guided by the price of our Equity Shares listed on the NSE. The Price Band shall be advertised at least one day prior to the Bid/Issue Opening Date in Economic Times, an English language newspaper with wide circulation and in Jansatta], a Hindi language newspaper with wide circulation. The announcement on the Price Band shall also be made available on the websites of the BRLM and at the terminals of the Syndicate.

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

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

VIII.2 ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis. Further, not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIBs, by any or all members of the Syndicate, without assigning any reason therefor. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs or FIIs applying on a repatriation basis	Blue

Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
4. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
5. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
7. Indian mutual funds registered with SEBI;

8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;
10. State Industrial Development Corporations;
11. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
12. Eligible Non-Residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
13. Scientific and/or industrial research organisations authorised to invest in equity shares.

Note: The BRLM Syndicate Members and any associate of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

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.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 300 Equity Shares and in multiples of 300 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (i.e., Non-Institutional Bidders and QIB Bidders)**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 300 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company and the BRLM shall declare the Bid/ Issue Opening Date and the Bid/ Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act and shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see section titled "Issue Procedure - Bids at Different Price Levels" on page 200 of the Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the section titled "Issue Procedure - Build up of the Book and Revision of Bids" on page 203 of the Red Herring Prospectus.

(f) The Syndicate Members 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.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described in the section titled "Issue Procedure - Terms of Payment" on page 202 of the Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band will be advertised at least one day prior to the Bid/Issue Opening Date in The Economic Times, an English language newspaper with wide circulation and Jansatta, a Hindi language newspaper with wide circulation and Gujarat Samachar, a regional newspaper. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1.

(b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid/Issue Opening Date in Economic Times, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Gujarat Samachar, a regional newspaper.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.

(d) We, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**

(f) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual 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 (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, 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 allotment, 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.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 300 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

Bids by Mutual Funds

Multiple Bids

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 for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company’s paid-up capital carrying voting rights.

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 happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids cum Application Forms as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color).

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow 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 us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure - Payment Instructions" on page 208 of the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Company with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Term of the Issue" on page 196 of the Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Syndicate Members will register the Bids using the on-line facilities of the the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period. The Syndicate Members 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 Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facility of the NSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor category – individual, corporate, NRI, FII, or mutual fund etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Whether payment is made upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason therefore, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in the Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by the NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the NSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to the the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding Period/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) Our Company in consultation with the BRLM, shall finalise the “Issue Price”, the number of Equity Shares to be allotted in each category and the allocation to successful QIB Bidders. The allocation will be decided based, inter alia, on the quality of the Bidder, size, price and time of the Bid.

(c) The allocation for QIBs for up to 50% of the Issue would be on proportionate basis. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Issue, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) 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.

(e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.

(g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Bid within the Price Band;

c) Read all the instructions carefully and complete the Bid cum Application Form (white or blue in colour) as the case may be;

d) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;

e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options;

g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) If your Bid is for Rs.50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copies of your PAN with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place. (See to the section "Issue Procedure - 'PAN' or 'GIR' Number" on page 210 of the Red Herring Prospectus.); and

i) If you are a body corporate making an application in this Issue ensure that you provide your UIN. If you have made an application for such a number before December 31, 2004 but the number has not been allotted, or where an appeal has been filed but not disposed off, ensure that you provide such information in the Bid cum Application Form (See to the section "Issue Procedure - Unique Identification Number" on page 210 of the Red Herring Prospectus.); and

j) 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 lower end of the Price Band or higher than the higher end of the Price Band;
c. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
d. Do not pay the Bid amount in cash;
e. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
f. Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);
g. Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
h. Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White or Blue colour).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 300 Equity Shares and in multiples of 300 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 300 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule 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 Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant**. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/allocation advices and printing of bank particulars on the refund orders.

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 deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank 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, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve 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 we/the BRLM may deem fit.

Bids by Non-Residents, NRIs and FIIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 300 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see "Issue Procedure - Maximum and Minimum Bid Size" on page 199 of the Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to Non-Residents, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of Resident Bidders: **"Escrow Account – Ginni Public Issue"**

(b) In case of Non-Resident Bidders: **"Escrow Account – Ginni Public Issue** - **NR"**

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.
- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iv) 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 Escrow Account.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(vii) No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

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. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In 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 for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration card (b) Passport (c) Driving licence (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

Under the SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time ("**MAPIN Regulations**"), and SEBI notifications dated November 25, 2003, July 30, 2004 and August 17, 2004, and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed on any recognized stock exchange unless such specified investor and its promoters and directors have been allotted unique identification numbers or UINs, except (i) those promoters or directors who are persons resident outside India (such promoters or directors are required to obtain their UINs by December 31, 2005) and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until disposal of its application, or where it has filed an appeal, until disposal of the appeal, as the case may be.

The SEBI press release dated December 31, 2004 further clarified that wherever the President of India/ Central Government/ State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of the MAPIN Regulations.

Previously SEBI required that all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in units of mutual funds or collective investment schemes) of the value of Rs. 100,000 or more would be required to obtain a UIN by March 31, 2005. Subsequently, by a press release dated February 24, 2005, SEBI has announced that the date for obtaining the UIN has been extended from March 31, 2005 to December 31, 2005 for such specified investors.

In terms of the above, it shall be compulsory for an investor being a body corporate making an application in this Issue to provide its UIN. In cases where a body corporate has made an application for such a number before December 31, 2004 but the number has not been allotted, or where an appeal has been filed but not disposed off, the investor shall provide such information in the Bid cum Application Form. A Bid cum Application Form from a specified investor being a body corporate that does not provide a UIN or UIN application status (in cases where an application for a UIN has been made before December 31, 2004, is liable to be rejected.

Right to Reject Bids

We and the BRLM reserve the right to reject any Bid without assigning any reason therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
4. NRIs, except eligible NRIs and Non-Residents;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
6. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 300;
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 stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder 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;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in "Issue Procedure – Bids at Different Price Levels" at page 200 of the Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act; and
24. Bids by specified investors being body corporates who do not provide their UIN or UIN application status in cases where applications have been made for such UIN before December 31, 2004.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised 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 our Company, the respective Depositories and the Registrar to the Issue:

a) an agreement dated 6th November 2000 between NSDL, us and Registrar to the Issue;
b) an agreement dated 8th November 2000 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) 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.

h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Shri D. C. Gupta, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Ginni Filaments Limited
8th Floor, Padma Tower-II,
22, Rajendra Place,
New Delhi - 110 008.
India.
Tel: +91 11 25735852, 25735516;
Fax: +91 11 25751076, 25826593
E-mail: secretarial@ginnifilaments.com

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post only and adequate funds for the purpose shall be made available to the Registrars by the Company.

We 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 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

1. allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
2. dispatch of refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
3. we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation

A. *For Retail Individual Bidders*

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation 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 7636364 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 7636364 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 300 Equity Shares and in multiples of one (1) Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. *For Non-Institutional Bidders*

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation 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 3272727 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 3272727 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 4800 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. *For QIBs*

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation shall be made on a proportionate basis up to a minimum of 4800 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation refer below.
- Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall not be more than 10909090 Equity Shares.

Method of Proportionate basis of allocation in the Retail and Non Institutional categories

The Executive Director/Managing Director of the Designated Stock Exchange along with the Post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the Guidelines.

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) 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.

(b) 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.

In all Bids where the proportionate allotment is less than 300 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 300 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; and
- Each successful Bidder shall be allotted a minimum of 300 Equity Shares.

If the proportionate allotment to a Bidder is a number that is more than 300 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters Of Allotment Or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Undertaking by our Company

We undertake as follows:

1. that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
2. that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
3. that the funds required for dispatch of refund orders or allotment advice by registered post shall be made available to the Registrar to the Issue by us;
4. that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
5. that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

1. all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
2. details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
3. details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
4. we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign direct investment in manufacturing activities, like ours is permitted up to 100%.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to FIIs, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy.

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 happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

IX MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

SHARES

3. Subject to the provisions of the Act, Shares may be issued with the sanction of the Company in General Meeting by a special Resolution with such rights and Privileges annexed thereto and upon such terms and conditions as by the General Meeting sanctioning the issue of such shares be directed, and if no such direction be given as the Board shall determine and in particular such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company, without prejudice however, to any rights and privileges already conferred on the holders of any shares or class of shares for the time being issued by the Company. Provided that option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting.

3 A (i) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

(ii) a) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required crtificates of securities.

b) If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security and, on receipt of the information, the depository shall enter in its records the name of the allottee as the beneficial owner of the security.

(iii) All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(iv) a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

(v) 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 electronic mode or by delivery of floppies or discs.

(vi) Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

(vii) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

(viii) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

(ix) The Register and index of Beneficial Owners, maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

4. Subject to the provisions of the Act and these Articles, the Directors may allot and issue shares in the capital of the Company in payment or part payment for any property or asset of any kind whatsoever, sold, supplied or transferred, goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued, as fully paid-up or partly paid-up otherwise than in cash, and, if so issued shall be deemed to be fully paid-up or partly paid-up shares, as the case may be.

5. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein, shall be in acceptance of shares within the meaning of these articles.

6. The money (if any) which the 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.

7. If by the conditions of allotment of any shares the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment 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 share, or by his legal representative.

8. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way, to recognize (even when having notice thereof) any equitable, contingent, future of partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or as ordered by a Court of Competent jurisdiction or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirely thereof in the registered holder. The Board, however, shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons, not exceeding three or the survivor or survivors of them.

(A) (i) Subject to the provisions of the Act and all other applicable provisions of law, the Company may issue shares, either equity or any other kind with non-voting rights and the resolutions authorising such issue shall prescribe the terms and conditions of the issue.

(ii) Subject to the provisions of Sections 77A and 77B of the Act and Securities and Exchange Board of India (Buyback of securities), Regulation, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, resale any of its own redeemable share and any other security as may be specified under the Act, Rules and Regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such acquisition / purchase on such terms and conditions and at such time or times in one or more instalments as the board may in its discretion decide and deem fit. Such shares which are so bought back by the Company may either be extinguished and destroyed or reissued as may be permitted under the Act or the Regulations as may prevail at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules and regulations governing such issue.

SHARE CERTIFICATES

10. (a) The Share Certificates shall be issued in market lots and where Share Certificates are issued in either more or less than the market lot, sub-division or consolidation of Share Certificates into market lots shall be done free of charge. Every Certificate of shares shall specify the name (or names) of the person(s) in whose favour the Certificate is issued, the share to which it relates and the amount paid up thereon, the number and the distinctive number of the shares in respect of which it is issued and shall be in such form as the Directors shall prescribe or approve. Any two or more joint allottees of shares shall for the purposes of this Article, be treated as a single member.

(b) The certificates of title to shares shall be issued under the Seal of the Company in any of the manners provided for by the Companies (Issue of Share Certificates) Rules for the time being in force. A Director may sign a Share Certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography.

11. If any certificate be worn out, defaced, torn or be otherwise mutilated or rendered useless from any cause whatsoever, or if there is no space on the back thereof for endorsement of transfers, then upon production thereof to the Directors they may order the same to be cancelled and may issue a new certificate in lieu thereof, without charging any fee in respect thereof, and if any certificate be lost or destroyed, then upon proof thereof to the satisfaction of the Directors and on such indemnity as the Directors deem adequate being given and on the payment of out of pocket expenses incurred by the Company in investigating evidence, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.

CALLS

12. The Board of Directors may, from time to time by a resolution passed at a meeting of the Board but subject to the conditions hereinafter mentioned, make such calls as they think fit upon the members in respect of all monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the Company or where payable to a person other than the Company to the person and at the time or times appointed by the Directors. A call may be made payable by instalments. Joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

13. Where any calls for Share Capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purpose of this Article, share of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

14. Thirty days notice at least of every call, otherwise that on allotment, shall be given specifying the time and place of payment, and the name of the person to whom the calls shall be paid, provided that before the time for payment of such call, the Directors may by notice in writing to the members revoke the same.

15. A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Board on such subsequent date as shall be fixed by the Board.

16. The Board 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 Board may deem entitled to such extension but no member shall be entitled to such extension as a right.

17. If by the terms of issue of any share otherwise any amount is made payable at any fixed time or by instalments at fixed times (whether on account of the nominal amount of the share or by way of premium) every such amount or instalment shall be payable as if it was a call duly made by the Board and of which due notice has been given and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly.

18. If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof or any extension thereof as aforesaid, the holder for the time being or allottee of the share in respect of which a call shall have been made or the instalment shall be due, shall pay interest on the same at such rate as may be decided by the Board from time to time from the date appointed for the payment thereof to the time of actual payment, but the Board may in their absolute discretion waive payment of such interest wholly or in part.

19. Subject to the provisions of the Act and these Articles, on the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any call or other money claimed to be due to the Company in respect of any 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 appears entered on the Register of members as the holder of the shares in respect of which such money is sought to be recovered that the resolution making the call is duly recorded in the minute book and that notice of such call was duly given in pursuance of these presents, and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

20. Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time due from any member in respect of any shares, either by way of principal or interest, nor any indulgence granted by the

Company in respect of the payment of any money shall preclude the forfeiture of such shares as herein provided.

21. The Directors may if they think fit, receive from any member willing to advance the same, all or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the moneys so paid 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 to the member paying such sum in advance as the Directors agree upon and the Company may at any time repay the amount so advanced upon giving to such member three months' notice in writing.

22. Money paid in advance of calls shall not rank for dividend or participation in profits.

A call may be revoked or postponed at the discretion of the Board.

FORFEITURE, SURRENDER AND LIEN

23. If any member fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same or any extension thereof as aforesaid the Directors may at any time thereafter during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied, in whole or in part, serve a notice on such member or on the person (if any) entitled to the, share by transmission, requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

24. The notice aforesaid shall name a day (not being less than thirty days from the date of the notice) and place or places on and at which the money is to be paid and the notice shall also state that in the event of the non-payment of such money at the time and place appointed, the shares in respect of which the same is owing will be liable to be forfeited.

25. If the requirement of any such notice shall not be complied with, every or any share in respect of which the notice is given may at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

26. When any share is so declared to be forfeited notice of forfeiture shall be given to the member in whose name it stood immediately prior to 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 the omission or neglect to give such notice or to make any such entry as aforesaid.

27. Every share so forfeited as aforesaid shall thereupon be the property of the Company and may be sold, re-allotted or otherwise disposed of either to the original holder thereof, or to any other person, upon such manner as the Board shall think fit.

28. The Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annual the forfeiture thereof upon such conditions as they may think fit.

29. Any member whose share may be forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the company all call and other moneys owing upon the shares at the time of forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as may be decided by the Board from time to time, and the Directors may enforce the payment thereof if they think fit, but shall not be under any obligation to do so.

30. The forfeiture of a share shall involve the extinction of all interest in, and also of all claims and demands against the Company in respect of the share, and all other rights incidental to the share, except only of those rights as by these Articles are expressly saved.

31. A certificate in writing under the hand of a Director or the Secretary that the call or other moneys in respect of a share was or were due and payable and notice thereof given and that default in payment of the call or other moneys was made, and that the forfeiture of the shares was made, by a resolution of the Directors to that effect, shall be conclusive evidence of the facts stated therein as against all persons entitled to such share.

32. The Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share, and he shall not be bound to see the application or the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in references to the forfeiture, sale, re-allotment or other disposal of the same.

33. The Directors may at any time, subject to the provisions of the Act, accept the surrender of any share from or by any member desirous of surrendering on such terms as the Directors may think fit.

34. The Company shall have a first and paramount lien upon all the shares (other than fully paid up share) registered in the name of each member (whether solely or jointly with other) 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 and no equitable interest in any share shall be created except upon the footing and condition that Article 8 hereof is to have full effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

35. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made unless the sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, curator bonis or other legal representatives, as the case may be, and default shall have been made by him or them in the payment of the sum payable as aforesaid for fourteen days after the date of such notice. To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid, the existing certificate in respect of the shares sold shall 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 lieu thereof to the purchaser or purchasers concerned.

36. The net proceeds of the sale shall be received by the Company and on the payment of the cost of such sale, applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any, shall subject to like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

37. The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Companies Act, 1956 and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and the registration thereof.

38. The Company shall have power to keep Foreign Register of members or Foreign Register of debenture holders in any Country or State outside India as may be decided by the Board from time to time. If any shares are to be registered in any such register the instrument of transfer shall be in a form recognised under the law of such Country or State or in such form as may be approved by the Board.

39. Subject to the provisions of Section 111 of the Act and of Section 22A of the Securities Contracts (Regulation) Act, 1956 as and when applicable to the Company, or any statutory modifications thereof for the time being in force, the Directors may at their discretion decline to register or acknowledge any transfer of shares and in particular may so decline in case in which the Company has a lien upon the shares or any of them whilst any moneys in respect of the shares desired to be transferred on any of them remain unpaid or unless the transferee is approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a member. The registration of a transfer shall be conclusive evidence of the approval by the Directors of the Transfer. Provided that 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 a lien.

40. If the Company refuses to register the transfer of any share or transmission of any right therein, the Company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the Company, send notice of refusal to the transferee and transferor or to the person giving intimation of the transmission, as the case may be, and there upon the provisions of Section 111 of the Act or any statutory modification of the said provisions for the time being in force shall apply.

41. The instrument of transfer shall after registration be retained by the Company. All instruments of transfer which the Directors may decline to register, shall on demand be returned to persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company for a period of ten years or more.

42. The Directors shall have power, on giving not less than seven days previous notice by advertisement as required by Section 154 of the Act to close the transfer books, the Register of Members, the Register of Debenture Holders of the Company for such period or periods of time not exceeding in the whole 45 days in each year but not exceeding 30 days at a time, as to them may seem fit.

43. The executor or administrator of a deceased member (whether European, Hindu, Mohammedan, Parsi, or being one of the two or more joint holders) or holder of succession certificate shall be the only person recognised by the Company as having any title to his shares, and the Company shall not be bound to recognize such executor or administrator or holder of a succession certificate unless such executor or administrator shall have first obtained Probate, Letters of Administration, or other legal representation, as the case may be, from a duly constituted Court in India, or from any authority empowered by any law to grant such other legal representation, provided that in any case, where the Board in their absolute discretion thinks fit, the Board may dispense with the production of Probate or Letters of Administration or other legal representation, and under the next Articles, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member, upon such terms as to indemnity or otherwise as the Directors may deem fit.

44. Subject to the provision of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy, or insolvency of any member or by any lawful means other than by a transfer in accordance with these present may with the consent of the Directors (which they shall not be under any obligation to give), upon adducing such evidence that he sustains the character in respect of which he proposes to act under this clause, or of his title, as the Board may think sufficient and upon giving such indemnity as the Directors may required 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, he shall testify the election by executing to his nominee instrument of transfer of the share in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the share. This clause is herein referred to as “the Transmission Clause.”

NOMINATION

44A (1) Every Shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act.

(2) Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.

(3) Notwithstanding anything contained in any other law for time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the act.

(4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentlures to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority.

TRANSMISSION OF SECURITIES

44B (i) A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either

a. To register himself as holder of the share or debenture, as the case may be: or

b. To make such transfer of the share or debenture, as the deceased shareholder or debenture holder, as the case may be, could have made.

(ii) If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elect and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.

(iii) A nominee shall be entitled to dividend on shares / interest on debentures and other advantages to which he would be entitled if he was the registered holder of the share or debenture. Provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

45. 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 shares or his nominee as if he was the transferee named in an ordinary transfer presented for registration.

46. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Board at their discretion shall consider sufficient; provided nevertheless that there shall not be any obligation on the Company or the Board to accept any indemnity.

47. No fee shall be charged for transmission of shares or for registration of any Power of Attorney, Probate, Letters of Administration or other similar documents. No fee shall also be charged for registration of transfers, consolidation or subdivision of Share Certificates or for issue of new Certificates in replacement of those which are old, decrepit, worn out or where the reverse for recording transfers have been fully utilised.

48. The Company shall incur no liability or responsibility whatsoever in consequence of their 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 or persons having or claiming any equitable right, title or interest to or in the same 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 or required to regard or attend or give effect to any notice which may be given to them of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered to, referred to in some books 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 Directors shall so think fit.

INCREASE, REDUCTION AND ALTERATION IN AUTHORISED, ISSUED AND SUBSCRIBED CAPITAL

49. The Company may from time to time in General Meeting by Ordinary Resolution alter the conditions of its Memorandum by increase of its Authorised Share Capital by creation of new shares of such amount as it thinks expedient.

50. Subject to the provision of the Companies Act, 1956 the Company may from time to time in General Meeting by Special Resolution increase its Subscribed Share Capital by issue of new shares upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting issuing the same shall be directed and if no direction be given as the Directors shall determine, 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, provided always that any Preference Shares may be issued on the terms that they are or at option of the Company are to be liable to be redeemed and on such terms and conditions of redemption as may be prescribed.

51. 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 part of the original capital and shall be subject to the provision herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

52. Notwithstanding anything contained in these Articles in the case of the issue of redeemable Preference Shares under the provisions of Article 51 hereof the provision of Section 80 of the Act shall apply.

53 The Company may (subject to provisions of Section 100 to 105 of the Act) from time to time by Special Resolution reduce its Share Capital or any Capital Redemption Reserve Account or Share Premium Account in any way authorised by law and in particular may pay off any paid-up Share Capital upon the footing that it may be called up again, or otherwise, and may, if and as far as is necessary, alter its Memorandum by reducing the amount of its Share Capital and of its shares accordingly.

54. The Company in General Meeting by Special Resolution, may alter the conditions of its Memorandum as follows :

(a) Consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares.

(b) Sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act and of these Articles.

(c) Cancel shares which, at the date of the passing of the resolution in that behalf 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 share so cancelled.

55. The right conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of the shares ranking pari-passu therewith but in no respect in priority thereto.

JOINT HOLDERS

57. Where two or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles.

(a) The Company shall be entitled to decline to register more than three persons as the joint holders of any share.

(b) The Joint holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.

(c) On the death of any such joint holders, the survivors shall be the only person or persons recognised by the Company as having any title or interest in the share but the Directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability of shares held by him jointly with any other person.

(d) Any one of the joint holders may give effectual receipt of any dividends or other moneys payable in respect of such shares.

(e) Only the person whose name stands first in the Register of Members as one of the joint holders of any share, shall be entitled to delivery of the Certificate relating to such shares or to receive documents (which expression shall be deemed to include all documents to in Article 157) from the Company and any documents served on or sent to such person shall be deemed as good service on all the joint holders.

(f) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney than that one of such persons so present whose names stands first or higher (as the case may be) on the Register of Members, in respect of such share shall alone be entitled to vote in respect thereof but the others of the joint holders shall be entitled to be present at the meeting provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to joint holder presented by Attorney or by proxy although the name of such joint holder present by an attorney or proxy stands first or higher (as the case may be) in the Register of Members in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member’s) sole name any share stands shall for the purpose of this sub-clause be deemed joint holders.

GENERAL MEETINGS

66. Subject to the provisions of the Act, the Company shall hold, from time to time as provided by the Act, in addition to any other meetings, a General Meeting as its Annual meeting. The provisions of Section 176 of the Act shall apply to such Annual General Meetings.

67. Every Annual General Meeting shall be called for a time during business hours, and on such day (not being a public holiday) as the Directors may from time to time determine and it shall be held either at the Registered Office of the Company or at some other place within the city, town or village in which the Registered Office of the Company is situated.

68 (1) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

(2) The Board of Directors may, whenever it think fit, call an Extra ordinary General Meeting.

69. The Board of Directors shall on due requisition of members in accordance with Section 169(4) of the Act, forthwith proceed to call an Extra-ordinary General meeting and the provisions of Section 169 of the Act shall apply in respect of such meeting.

70. Save as permitted under Section 171(2) of the Act, a General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.

71. Notice of every meeting shall be given to the members and to such other person or persons as required and in accordance with Section 172 and 173 of the Act and it shall be served in the manner authorised by Section 54 of the Act.

PROCEEDINGS AT GENERAL MEETING

72. At least five members entitled to vote and present in person shall be a quorum for a General Meeting. No business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business.

73. If within half an hour from time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon the requisition of members, shall stand dissolved. In any other case the meeting shall stand adjourned to the same day in the next week (not being a holiday), at the same time and place or to such other day and at such other time and place as the Board may determine.

74. If at any adjourned meeting also a quorum is not present within half an hour of the time appointed for holding the meeting, the members present, whatever their number (not being less than two) shall be a quorum and shall have power to decide upon all the matters which could properly have been disposed of at the meeting from which the adjournment took place.

75. The Chairman (if any) of the Board of Directors shall, if present, preside as Chairman at every General Meeting whether Annual or Extraordinary, but if there be no such Chairman, or in case of his absence or refusal, the Vice-Chairman, or in case of his absence or refusal, any one of the Directors present, shall be chosen to be Chairman of the meeting.

76. If at any meeting a quorum of members shall be present and the Chair shall not be taken by the Chairman of the Board or by the Vice-Chairman or by a Director at the expiration of half an hour from the time appointed for holding the meeting or if before the expiration of that time all the Directors refuse, the members present shall choose one of their own number to be Chairman of the meeting.

77. (1) No business shall be discussed at any General Meeting except the election of the Chairman whilst the Chair is vacant.

(2) If a poll is demanded on the election of the Chairman it shall be taken forthwith in accordance with the provisions of the Act and these Articles.

78. The Chairman may with the consent of any meeting at which quorum is present, and shall, if so directed by the meeting adjourn any meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

79. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting. Save as aforesaid it shall not be necessary to give any notice of adjournment or of the business to be transacted at the adjourned meeting.

80. At any General Meeting provision of Section 177 to 185 of the Act shall apply provided that in case of equity of votes whether on a show of hands or on a poll, the Chairman of the meeting at which at the show of hands takes place or at which the poll is demanded, shall be entitled to a casting vote in addition to his own vote or votes to which may be entitled as a member.

81. 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 a General Meeting shall be sufficiently so done or passed if effected by an Ordinary Resolution as defined in Section 189(1) of the Act unless either the Act or these Articles specifically require such act or resolution to be done or passed by a Special Resolution as defined in Section 193(2) of the Act.

82. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report and audited Statement of Accounts, Auditors' Report (if not already incorporated in the audited Statement of Accounts), the Proxy Register with the proxies and the Register of Directors' holding maintained under Section 307 of the Act. The Auditors' Report shall be read before the Company in General Meeting and shall be open to inspection by any member of the Company.

83. The Company shall cause Minutes of all proceedings of every General Meeting and of all proceedings of every meeting of its Board of Directors or every Committee of the Board, to be kept in accordance with Section 193 of the Act.

84. The books containing the minutes of the proceedings of General Meetings of the Company shall be kept at the Registered Office of the Company and be open to the inspection of any member as prescribed by Section 296 of the Act.

VOTES OF MEMBERS

85. Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate also by a representative duly authorised under Section 187 of the Act and Article 87 hereof.

86. Subject to the provisions of the Act (and particularly of Section 87, 89 and 92(2) thereof) and of these Articles:

(1) Upon a show of hands every member holding Equity Shares and entitled to vote and present in person (including an attorney or a representative of a body corporate as mentioned in Article 87) shall have one vote ;

(2) Upon a poll the voting right of every member holding Equity Shares and entitled to vote and present in person (including body corporate present as aforesaid) or by attorney or by proxy shall be in proportion to his share of the paid up equity capital of the Company;

(3) The voting right of every member holding preference shares, if any shall upon a show of hands or upon a poll be subject to the provisions, limitations and restrictions laid down in Section 87 of the Act.

87. No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by attorney or by representative duly authorised under Section 187 of the Act in which case such attorney or representative may vote on a show of hands as if he were an individual member of the Company.

88. Subject to the provisions of the Act, no member shall be entitled to his 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 and has exercised any right of lien.

89. Any person entitled under the Transmission Clause (Article 44 hereof) to transfer any shares may vote at any General Meeting in respect thereof 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 Board of his rights to transfer such shares, the Board shall have previously admitted his right to vote at such meeting in respect thereof.

90. On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy, or other person entitled to vote for his 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.

91. A member of unsound mind or in respect of whom an 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.

92. The instrument appointing a proxy and the power of attorney or other authority if any, under which it is signed or a notarially certified copy thereof shall be deposited at the registered office of the Company or at such place or places (if any) as may be specified for that purpose in the notice convening the meeting not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of

its execution except in the case of the adjournment of any meeting first held previously to the expiration of such time. An attorney shall not be entitled to vote unless the power of attorney or other instrument appointing him or a notarially certified copy thereof has either been registered in the records of the Company at any time not less than forty-eight hours before the time for holding the meeting at which the attorney proposes to vote or is deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for such meeting as aforesaid. Notwithstanding that a power of attorney or other authority has been registered in the records of the Company, the Company may notice in writing addressed to the member of the attorney given at least fourteen days before the meeting, require him to produce the original power of attorney or authority and unless the same is thereupon deposited with the Company not less than forty-eight hours before the time fixed for the meeting the attorney shall not be entitled to vote at such meeting unless the Directors in their absolute discretion excuse such non production and deposit.

93. An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit.

94. If any such instrument of appointment be continued to the object of appointing an attorney or proxy it shall remain permanently or for such time as the Directors may determine in the custody of the Company, if embracing other objects, a copy thereof, examined with original, shall be delivered to the Company to remain in their custody.

95. A vote given in accordance with the terms of an instrument or proxy, or by an attorney shall be valid notwithstanding the previous insanity or lunacy or death of the principal or revocation of the proxy or power of attorney, as the case may be, 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 insanity, lunacy, death, revocation or transfer shall have been received at the Registered Office before the meeting.

96. Subject to the provisions of the Act and these Articles, no objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote, whether given personally or by proxy or by any means hereby authorised and not disallowed at such meeting or poll, shall be deemed valid for all purposes of such meeting or poll whatsoever.

97. Subject to the provisions of the Act and these Articles, the Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. Subject as aforesaid the Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

DIRECTORS

98. Until otherwise determined by a General Meeting the number of Directors shall not be less than three nor more than twelve.

99. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit & Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), Industrial Reconstruction Bank, of India (IRBI), General Insurance Corporation of India (GIC), New India Assurance Company Limited (NIA), Oriental Insurance Company Ltd. (OIC), United India Insurance Company Ltd. (UI), National Insurance Company Ltd. (NIC), or to any other Finance Corporation or Credit Corporation or to any other Financial Company or Body out of any loans granted by them to the Company or so long as IRBI, GIC, NIA, OIC, UI & NIC or any other Financing Corporation or Credit Corporation or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI, IRBI, GIC, NIA, OIC, UI & NIC or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to 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 under-writing 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 or Directors, whole time or nonwholetime (which Director or Directors is/are hereinafter referred as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/ s. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option

of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company. 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 or so long as the Corporation holds Debentures in the Company as a result of 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 the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso-facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures / Shares in the Company or on the satisfaction of the liability of the Company arising out of the Guarantee furnished by the Corporation. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and 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. The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies 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 an officer of the Corporation 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. In the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and have such rights as are usually exercised or available to a whole time Director in the Management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Corporation.

100. Subject to the provisions of Section 260 of the Act, the Board shall have power at any time and from time to time to appoint any person to be an Additional Director but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 98. Any such Additional Director shall hold office only up to the date of the next Annual General Meeting.

101. The Board may appoint an Alternate Director who is recommended for such appointment by a Director (hereinafter 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 meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office as such for a longer period than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to such State. If the term of office of the Original Director is determined before he so returns to such State any provision in the Act or these Articles for the automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director.

103. Subject to the provisions of Section 284(6) and other applicable provisions (if any) of the Act, if the office of a Director appointed by the Company in General Meeting is 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 contained in these Articles be filled by the Board of Directors at a meeting of the Board. Any person 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 it had not been vacated as aforesaid.

104. A Director shall not be required to hold any qualification shares and a person may be appointed as a Director notwithstanding that he holds no shares in the Company.

105. Subject to the provisions of the Sections 198, 309,310 and 311 of the Act, the remuneration payable to the Directors of the Company may be as hereinafter provided :-

1) The remuneration of the Directors shall be as fixed by a General Meeting and may be by way of fees for meeting attended or otherwise as may be fixed by the General Meeting. The remuneration of the Directors, shall, in so far as it consists of a monthly payment as may be fixed by the General Meeting, be deemed to accrue day by day.

2) Each Director shall be entitled to such sum as may be payable to him in accordance with the provisions of Section 310 of the

Act and the rules framed thereunder as applicable from time to time for every meeting of the Board of Directors or a Committee thereof attended by him.

3) In addition to the remuneration payable to them as hereinabove stated, the Directors may be paid all travelling, hotel and other expenses properly incurred by them:

i) in attending and returning from meetings of the Board of Directors, any Committee or Sub-Committee thereof, or

ii) in connection with the business of the Company.

4) Such reasonable additional remuneration as may be fixed by the Board may be paid to anyone or more of its number for services rendered by him or them for attending any other business of the Company when specially called for to do so.

106. The continuing Directors may act notwithstanding any vacancy in their body; but so that, subject to the provisions of the Act, if the number falls below the minimum above fixed and notwithstanding the absence of a quorum, the Directors may act for the purpose of filling up vacancies or for summoning a General Meeting of the Company

107. Subject to Section 283 (2) of the Act, the office of a Director shall become vacant if :

a) he is found, to be of unsound mind by a Court of competent jurisdiction; or

b) he applies to be adjudicated an insolvent; or

c) he is adjudged an insolvent; or

d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the official Gazette removed the disqualification incurred by such failure; or

e) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private Company of which he is a Director accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act ; or

f) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or

g) he becomes disqualified by any order of Court (as defined in the Act) under Section 203 of the Act; or

h) he is removed in pursuance of Section 284 of the Act ; or

i) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or

j) he has been appointed a Director by virtue of his holding office or other employment in the Company, he ceases to hold such office or other employment in the Company.

108. Subject to the provisions of the Act, a Director may resign his office at any time by notice in writing addressed to the Company or to the Board of Directors.

109. A Director may become a Director of any Company promoted by the Company or in which he may be interested as a vendor, shareholder or otherwise: and subject to the provisions of the Act and these Articles, no such Director shall be accountable for any benefits received as Director. or Shareholder of such Company.

110. The retirement of Directors by rotation and filling up of vacancies caused by such retirement shall be governed by the provisions of the Act, in particular of Section 255 and 256 thereof.

CAPITALISATION

144. (1) Any General Meeting may resolve that any amount to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any monies, investments or other assets forming part of the undivided profits (including profits of surplus moneys arising from the realisation and where permitted by law, from the appreciation in value of any capital

assets of the Company) standing to the credit of the general reserve, reserve or any reserve fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalised. Any such amount (excepting the amount standing to the credit of the Share Premium Account and/ or the Capital Redemption Reserve Account) may be capitalised:

(a) by the issue and distribution as fully paid shares, debentures, debenture stocks, bonds or other obligations of the Company: or

(b) by crediting the shares of the Company which may have been issued and are not fully paid-up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account and Capital Redemption Reserve Account may be applied in :

(i) paying up unissued shares of the Company to be issued to members of the Company as fully paid Bonus Shares:

(ii) in writing off the preliminary expenses of the Company.

(iii) in writing off the expenses of or the commission paid or discount allowed on any issue of shares or debentures of the Company, or

(iv) in providing for the premium payable on the redemption of any Redeemable Preference Shares or of any Debentures of the Company.

(2) Such issue and distribution under sub-clause (1) (a) above and such payment to the credit of unpaid share capital under sub-clause (1) (b) above shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital' paid-up on the shares held by them respectively in respect of which such distribution under sub-clause (1) (a) or payment under sub-clause (1) (b) above shall be made on the footing that such members become entitled thereto as capital.

(3) The Directors shall give effect to any such resolution and apply such portion of the profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stocks, bonds or other obligations of the Company so distributed under sub-clause (1) (a) above' or (as the case may be for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (1) (b) above provided that on such distribution or payment shall be made unless recommended by the Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.

(4) For the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may determine that cash payment be made to any members and may vest any such cash, in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors.

(5) When deemed requisite a proper contract shall be filed with the Registrar of Companies in accordance with the Act and Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

ACCOUNTS

145. The Company shall keep proper Books of Account as required by the Act and in particular under Section 209 thereof.

146. The Directors shall from time to time determine whether and to what extent and at what times and places under what conditions or regulations the accounts, books and documents of the Company or any of them shall be open to the inspection of the members, and no member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by the statute or authorised by the Directors or by a resolution of the Company in General Meeting.

147. The Board of Directors shall lay before each Annual General Meeting a duly authenticated Balance Sheet and Profit and Loss Account alongwith its report made up in accordance with the provision of Article 150.

148. (1) (a) Save as provided by item (b) of this sub-clause, every Balance Sheet and every Profit and Loss Account of the Company shall be signed on behalf of the Board of Directors by its Secretary, if any, and by not less than two Directors of the Company, one of whom shall be the Managing Director, if there is or are any.

(b) When only one of the Directors of the Company is for the time being in India, the Balance Sheet and the Profit and Loss Account shall be signed by such Director, but in such a case there shall be attached to the Balance Sheet and the Profit and Loss Account a statement signed by him explaining the reason for non-compliance with the provisions of the above item (a).

(2) The Balance Sheet and the Profit and Loss Account shall be approved by the Board of Directors before they are signed on behalf of the Board in accordance with the provisions of this Article and before they are submitted to the Auditors for their report thereon.

149. The Profit and Loss Account shall be annexed to the Balance Sheet and the Auditors' Report (including the Auditors' separate, special or supplementary report, if any) shall be attached thereto.

150. (1) There shall be attached to every Balance Sheet laid before the Company in General Meeting, a report by its Board of Directors giving information, explanations and statements as are required to be given in accordance with the provisions of Section 217 of the Act and the rules framed thereunder.

(2) The Boards' report and addendum, if any, thereto shall be signed by the Chairman if he is authorised in that behalf by the Board and where he is not so authorised, shall be signed by such number of Directors as are required to sign the Balance Sheet and the Profit and Loss Account of the Company by virtue of Sub-Section (1) and (2) of Section 215 of the Act.

151. Every Balance Sheet and Profit and Loss Account of the Company when audited and adopted by a General Meeting shall be conclusive except as regards any matters in respect of which modifications may from time to time be considered proper by the Board of Directors and approved by the share holders at a General Meeting.

AUDIT

152. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter mentioned.

153. (1) The Company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next Annual General Meeting, and shall within seven days of the appointment, give intimations thereof to every Auditor so appointed.

(2) At any Annual General Meeting, a retiring Auditor by whatever authority appointed shall be re-appointed unless-

(a) he is not qualified for re-appointment.

(b) he has given the Company notice in writing of his unwillingness to be re-appointed.

(c) a resolution has been passed at that meeting appointing somebody 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 the 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.

(3) Where at an Annual General Meeting no Auditors are appointed or reappointed, the Central Government may appoint a person to fill the vacancy

(4) The Company shall, within seven days of the Central Government Power under sub-clause (3) becoming exercisable, give notice of that fact to the Government.

(5) The Directors may fill any casual vacancy in the office of Auditor 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.

(6) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless Special Notice of the 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 copy of any such notice to the retiring Auditor and shall give notice thereof to the members in accordance with Section 190 of the Act, and 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 a retiring Auditor shall not be re-appointed.

(7) The persons qualified for appointment as Auditors shall be only those referred to in Section 226 of the Act.

(8) None of the persons mentioned in Section 226 of the Act as are not qualified for appointment as Auditors shall be appointed Auditors of the Company.

154. The Company shall comply with the provisions of Section 228 of the Act in relation to the audit of the accounts of Branch Offices of the Company, except to the extent to which any exemption may be granted by the Central Government in that behalf.

155. The remuneration of the Auditors in the case of appointment by the Board or the Central Government may be fixed by the Board or the Central Government, as the case may be, and subject to above shall be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine.

156. (1) The Auditors of the Company shall have a right of access at all times to the Books and Vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditors.

(2) All notices of and other communications relating to any General Meeting of the Company which any member of the Company is entitled to have sent to him, shall also be forwarded to the Auditor of the Company and the Auditors shall be entitled to attend any General Meeting and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditors.

(3) The Auditor shall make a report to the members of the Company on the Accounts examined by him and on every Balance Sheet and Profit and Loss Account and on every other document declared by the Act to be part of or annexed to the Balance Sheet or the Profit and Loss Account which are laid before the Company in General Meeting during his tenure of office and the report shall be prepared in accordance with the provisions of Section 227 of the Act or any statutory modification thereto from time to time.

X MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this 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 for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 8th Floor Padma Tower II, Rajendra Place, New Delhi-110008 from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement Letter dated 28.06.2005 for appointment of SBI Capital Markets Limited as BRLM.
2. Offer Letter dated 17.05.2005 from SBI Capital Markets Ltd offering their services to act as BRLM to the issue.
3. Memorandum of Understanding dated 30.09.2005 amongst our Company and the BRLM.
4. Engagement Letter dated 24.09.2005 for appointment of Intime Spectrum Registry Limited as Registrar to the issue.
5. Offer Letter dated 22.09.2005 from Intime Spectrum Registry Limited offering their services to act as Registrar to the issue.
6. Memorandum of Understanding dated 24.09.2005 executed by our Company with Registrar to the Issue.
7. Escrow Agreement dated 8.12.2005 between us, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
8. Syndicate Agreement dated 8.12.2005 between us, the BRLM and Syndicate Members.
9. Underwriting Agreement dated 30.12.2005 between us, the BRLM and Syndicate Members.
10. Land agreements.
11. Statement showing orders/contracts for plant & machinery entered into by the Company.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Certificate of Incorporation dated 28.07.1982
3. Certificate for commencement of business dated 10.09.1982
4. Copy of the Resolution to increase the Authorised Capital passed at the Annual/Extraordinary General Meeting of the Company held on 15.07.2005
5. Shareholders' resolutions dated 15th July, 2005 in relation to this Issue and other related matters.
6. Resolutions of the Board dated 24.09.2005 authorising the issue.
7. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
8. Report of the Auditors, M/s. P.L.Gupta and Co., Chartered Accountants, prepared as per Indian GAAP and mentioned in the Prospectus and letters from the auditors dated 24.09.05. Letters dated 24.09.2005 from the Auditors of the Company confirming Tax Benefits as mentioned in this Prospectus and their consent to include the same in the form and context in which it appears in.
9. Copies of annual reports of our Company for the past five financial years.
10. Consents of the Auditors, M/s. P.L.Gupta and Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Prospectus.
11. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
12. Listing agreements dated 24th April 1995 with NSE.
13. Letter No. NSE/LIST/18017-Jdated October 31, 2005 for in-principle listing approval from NSE.
14. Agreement between NSDL, our Company and the Registrar to the Issue dated 06.11.2000.

15. Agreement between CDSL, our Company and the Registrar to the Issue dated 08.11.2000.
16. Letter dated 24.09.2005 from GFL confirming the cost of the Project & Means of Financing the same.
17. Copy of SIA's letter Registration No.4-278/96-100%EOU/125 dated 06.02.2002 issued in the name of the Company by Government of India, for manufacture of Cotton Yarn and Knitted Fabrics.
18. Copy of SIA's letter Registration No.528/STA/TMO/2005 dated 08.02.2005 issued in the name of the Company by Government of India, for manufacture of "Process House for Dyeing/Bleaching of Fabric".
19. Due diligence certificate to SEBI from SBI Capital Markets Ltd. dated 3rd October 2005.
20. SEBI observation letter CFD/DIL/ISSUES/V/53408/2005 dated November 7, 2005.
21. Financial appraisal note dated June 2005 by SBI Capital Markets Limited.
22. SBI Capital Markets Ltd Letter no. PASF/GFL/TC/684 dated September 23, 2005 on Revision of Project Cost.
23. Sanction letters for term loans by State Bank of India (Ref. No. IFBND:2005-06:/5130 dated 02.08.2005), Bank of Baroda (Ref. No. BR/ADV/IBB/235 dated 22.08.2005), State Bank of Bikaner & Jaipur (Ref. No. Nil dated 09.08.2005) and Export Import Bank of India (Ref. No. OIF:EOU:D-566:289 dated 05.09.2005).

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

XI DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Dr. Rajaram Jaipuria*
Chairman and Managing Director

Mr. Shishir Jaipuria*
Managing Director

Mr. Gian Prakash*
Director

Mr. M. P. Wadhawan*
Director

Mr. J. P. Kundra*
Director

Mr. J. K, Bhagat*
Director

Dr. H. P. Bhattacharya*
Director

Mr. Ashok Chopra*
Director

Mr. Rattan Bansal*
Director

*(Through their Constituted attorney Mr. D.C. Gupta, Company Secretary & Compliance Officer)

Date: December 30, 2005

Place: New Delhi