

**RED HERRING PROSPECTUS**

Please read Section 60B of the Companies Act, 1956

Dated December 20, 2005

100% Book Built Issue**NITIN SPINNERS LIMITED**

(Originally incorporated as Nitin Spinners Private Limited on 15th October, 1992 under the Companies Act, 1956. Subsequently, our Company was converted into a Public Limited Company on 15th November, 1994.)

Registered Office: 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara – 311 025

(Initially, our registered office was situated at B-86, Shastri Nagar, Bhilwara, Rajasthan, which was subsequently changed to our current registered office)

Tel: +91-1482-286110 to 13 Fax: +91-1482-286114 Website: www.nitinspinners.com E-Mail: ipo@nitinspinners.com

Contact Person: Mr. T.K. Jain, Company Secretary & Finance Manager

PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING TO RS. 4,900 LACS (REFERRED TO AS THE "ISSUE") COMPRISING OF PROMOTERS' CONTRIBUTION OF [●] EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING TO RS. 900 LACS (REFERRED TO AS THE "PROMOTERS' CONTRIBUTION") AND A RESERVATION FOR PERMANENT EMPLOYEES OF THE COMPANY OF [●] EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING TO RS. 250 LACS (REFERRED TO AS THE "EMPLOYEE RESERVATION PORTION"). THE NET OFFER TO THE PUBLIC IS OF [●] EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING TO RS. 3,750 LACS (REFERRED TO AS THE "NET ISSUE").

The Issue would constitute [●] % of the Post Issue Paid-up Capital of our Company.

Price Band: Rs. 18 to Rs. 21 Per Equity Share of Face Value of Rs. 10 Each

The Issue Price is 1.8 times of the Face Value at the Lower End of the Price Band and 2.1 times of the Face Value at the Higher End of the Price Band

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

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a discretionary basis. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public 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.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of the Company, there has been no formal market for the Equity Shares of the Company. The Face Value of the Equity Shares is Rs. 10/- and the Issue Price is 1.8 times of the Face Value at the Lower End of the Price Band and 2.1 times of the Face Value at the Higher End of the Price Band. The Issue Price (as determined and justified by the Book Running Lead Manager and the Co-Book Running Lead Manager in consultation with the Company in the paragraph titled "Basis for Issue Price" on Page 64 of this Red Herring Prospectus on the basis of the assessment of market demand for the Equity Shares issued by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares issued 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 document. Specific attention of the investors is invited to the statement of Risk Factors beginning on Page 10 of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENTS

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), Mumbai. The in-principle approval for listing from BSE and NSE has been received vide letter dated September 26, 2005 & December 12, 2005 respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER TO THE ISSUE**UTI Securities Limited**

SEBI Regn. No.: INM000007458

1st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road,

Bandra (East), Mumbai – 400 051

Tel: +91-22-55515806 / 55515821

Fax: +91-22-55023194

Website: www.utisel.com

E-Mail: nitinspinners@utisel.com

Contact Person: Mr. Hitesh Mandot

REGISTRAR TO THE ISSUE**Bigshare Services Private Limited**

SEBI Regn. No.: INR0000001385

E-2/3, Ansa Industrial Estate,

Saki Vihar Road, Saki Naka, Andheri (East),

Mumbai – 400 072.

Tel: +91-22-28470652

Fax: +91-22-28475207

Website: www.bigshareonline.com

E-Mail: ipo@bigshareonline.com

Contact Person: Mr. V. Kumareshan

ISSUE PROGRAMME

BID / ISSUE OPENS ON : JANUARY 06, 2006

BID / ISSUE CLOSURES ON : JANUARY 12, 2006

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DEFINITIONS AND ABBREVIATIONS

Conventional / General Terms

Act/ Companies Act	The Companies Act, 1956
Directors	The directors of our Company, unless the context otherwise requires
Equity Shares	The Equity Shares of Face Value of Rs. 10/- each of our Company
Indian GAAP	Generally accepted accounting principles in India
Non Resident	A person who is not an NRI, an FII and is not a person resident in India
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Quarter	A period of three continuous months
RBI Act	The Reserve Bank of India Act, 1934
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called SEBI (DIP) Guidelines, 2000.
Stock Exchanges	Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE)

Issue related terms

Term	Description
“Nitin Spinners” or “our Company” or “the Company” or “Nitin Spinners Limited” or “NSL” or “we” or “us” and “our”	Nitin Spinners Limited, a public limited company incorporated under the Companies Act, 1956
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, Allotment of Equity Shares pursuant to this Issue
Banker(s) to the Issue	ICICI Bank Limited, HDFC Bank Limited, Standard Chartered Bank, Punjab National Bank and IDBI Limited
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue
Bid/ Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of this Red Herring Prospectus.



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Term	Description
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in widely circulated English national newspaper and Hindi national newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bid/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made
Brokers to this Issue	Brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
BRLM	Book Running Lead Manager to this Issue, in this case being UTI Securities Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Co-BRLM	Co-Book Running Lead Manager to this Issue, in this case being IDBI Capital Market Services Limited
Cut-off	The Issue Price finalized by our Company in consultation with the BRLM and Co-BRLM
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 funds are transferred from the Escrow Account of our Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer Equity Shares to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited (BSE)
Red Herring Prospectus	Means this Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are being issued and number of Equity shares being issued through this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the opening of this Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation
Eligible Employee	Means Permanent Employees / Executive Directors of our Company who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.
Equity Shares	Equity shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.

Term	Description
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM, the Co-BRLM and the Syndicate Members in relation to the collection of the Bid Amounts and dispatch of the 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 for the Issue will be opened and in this case being ICICI Bank Limited, HDFC Bank Limited, Standard Chartered Bank, Punjab National Bank and IDBI Limited
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	The fresh issue of [●] Equity Shares of Rs. 10/- each fully paid up at the Issue Price determined by our Company in consultation with the BRLM and Co-BRLM in terms of this Red Herring Prospectus
Issue Management Team	The team managing this Issue as set out in the section titled "General Information" in this Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in term of this Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM and Co-BRLM on the Pricing Date
Issue Period	The Issue period shall be 5 working days, 6th January, 2006 being the Bid/Issue Opening date, to 12th January, 2006 being the Bid/Issue Closing date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Net Issue or Net Issue to the Public	The Issue of Equity Shares other than the Promoters Contribution and Employee Reservation Portion.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.1,00,000
Non Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue i.e. [●] Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to 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



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Term	Description
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 18 and the maximum price (Cap Price) of Rs. 21 per share and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLM and Co-BRLM finalizes the Issue Price
Promoters	Mr. R. L. Nolkha, Chairman and Managing Director, Mr. Dinesh Nolkha, Managing Director and Mr. Nitin Nolkha, Executive Director of our Company along with Redial Trading and Investment Pvt. Ltd., and Prasham Corporate Services (India) Pvt. Ltd.
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the number of Equity shares being issued through this Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institution as defined in section 4A of the Companies Act, 1956; scheduled commercial banks; mutual funds; foreign institutional investor 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 (IRDA); provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs.
QIB Portion	The portion of this Issue being up to 50% of the Net Issue, i.e., [●] Equity Shares of Rs.10 each available for allocation to QIBs
Registrar/ Registrar to this Issue	Bigshare Services Private Limited as indicated on the cover page of this Red Herring Prospectus
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 1,00,000/- in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 35% of the Net Issue i.e. [●] Equity Shares of Rs. 10 each 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)
Syndicate	The BRLM, Co-BRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between our Company and the Syndicate Members, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and Co-BRLM in this case being Stratcap Securities (India) Pvt. Ltd. and ENAM Securities Pvt. Ltd.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid on the online system of BSE/NSE
Underwriters	The BRLM, the Co-BRLM and the Syndicate Members
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date

Company/ Industry-related Terms

Term	Description
1 Acre	4048.32 Square Meters
Auditors	The Statutory Auditors of our Company namely M/s. R. S. Dani & Co., Chartered Accountants.
Articles/ Articles of Association	The Articles of Association of Nitin Spinners Limited
1 Bigha	2530.20 Square Meters or 20 Biswa
1 Biswa	126.51 Square Meters
Board / Board of Directors	Board of Directors of Nitin Spinners Limited unless otherwise specified
Financial Year / Fiscal Year	The 12 months ended March 31, of a particular year unless otherwise specified
HSD	High Speed Diesel
Memorandum/ Memorandum of Association	The Memorandum of Association of Nitin Spinners Limited
MFA	Multi-Fibre Arrangement
Ne	English Cotton Count
Project	The proposed project of our Company for expansion of manufacturing capacity by adding 50,400 Spindles for cotton yarn production & 12 Knitting Machines for knitted fabrics production and installation of 8.18 MW Power Plant near our existing unit located at Hamirgarh, Bhilwara.
RoC	Registrar of Companies, of Rajasthan at Jaipur unless otherwise specified
Registered Office of our Company	16-17, K. M. Stone, Chittor Road, Hamirgarh, Bhilwara - 311025, Rajasthan



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ABBREVIATIONS

Term	Description
AGM	Annual General Meeting of our Company
A.Y./ AY	Assessment Year
BOR	The Bank of Rajasthan Ltd.
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CMD	Chairman and Managing Director
CLB	Company Law Board
DEPB	Duty Entitlement Pass Book
DP	Depository Participant
EGM	Extraordinary General Meeting of our Company
EOU	Export Oriented Unit
EPCG	Export Promotion & Credit Guarantee Scheme
EPS	Earnings Per Share
EXIM	Export Import Policy, 2002-2007
EU	European Union
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed there under.
FII	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI as required under FEMA (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 and under other applicable laws in India.
FI	Financial Institution
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
F.H.Y.	First Half Year
F.Y. / FY / Fiscal / Financial Year	Period of Twelve Months ending on March 31 of the respective year
GIR Number	General Index Register Number
GOI	Government of India
HUF	Hindu Undivided Family
IAS	Indian Administrative Service
I.T. Act	The Income Tax Act, 1961
IDBI	Industrial Development Bank of India

Term	Description
IOB	Indian Overseas Bank
IPO	Initial Public Offer
ISO	International Standards Organization
KW	Kilo Watt
L/C	Letter of Credit
MCA	Ministry of Company Affairs
MF	Mutual Fund
MW	Mega Watt
NAV	Net Asset Value
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited
NOF	Net Owned Funds
OBC	Oriental Bank of Commerce
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
Ph.D.	Doctor of Philosophy
PNB	Punjab National Bank
R&D	Research & Development
RBI	Reserve Bank of India
RIICO	Rajasthan State Industrial Development & Investment Corporation Ltd.
SEBI	The Securities and Exchange Board of India
SLSC	State Level Screening Committee
SSI	Small Scale Industry
TNW	Total Net Worth
TPA	Tonnes Per Annum
TUFS	Technology Upgradation Funds Scheme
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
CHF	Swiss Franc
DKK	Danish Kroner
EURO	Euro is the currency of twelve European Union countries: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland



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PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

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

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practice and Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Market Data

Unless stated otherwise, market data used throughout this Red Herring Prospectus was obtained from internal Company reports, data, websites and industry publications. Industry publication data and website data generally state that the information contained therein has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed by us to be reliable, have not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like “will”, “aim”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “project”, “should” and similar expressions or variations of such expressions, that are “forward looking statements”. Similarly, the statements that describe our objectives, plans or goals are also 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 Textile Industry in India 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 in India or Internationally.

For further discussion on factors that could cause our actual results to differ, see “Risk Factors” beginning on page 10 of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLM, nor the Co-BRLM 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, the BRLM and the Co-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 pursuant to the Issue.

RISK FACTORS

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

Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:

INTERNAL RISK FACTORS

1. *There are two criminal cases pending against Our Company and one of our Promoters.*

There are two criminal cases pending against our Company, and against our Promoter and Managing Director, Mr. Dinesh Nolkha. The particulars of those cases are given hereunder:

- A. There was an FIR dated 4th September, 1995 filed against our company, Mr. Narendra Nolkha, Commercial Manager and Mr. Dinesh Nolkha (who was subsequently appointed as our Company's Managing Director) for delay in filing of quarterly hank yarn packing returns for quarter ended 30th June, 1995 in terms of Hank Yarn Packing Notification No. 8/TDRO/8/2/95 dated 20th March, 1995 issued under the Essential Commodities Act, 1955. However, the Textile Commissioner had condoned the aforesaid delay in filing of the quarterly hank yarn return for the Quarter Ended 30th June, 1995, and requesting the Station House Officer not to pursue the aforesaid FIR as per order issued by the Deputy Director from the Office of the Textile Commissioner, Mumbai No. 5(35)/Raj/95-2000/CSS/8 dated 01st November, 2000 and addressed to the Station House Officer of the concerned Police Station at Bhilwara. Subsequently, vide Letter issued by the Additional Textile Commissioner from the Office of the Textile Commissioner, Mumbai No. 5(35)/Raj/95/CSS/3 dated 01st December, 2003 addressed to the Superintendent of Police, Bhilwara, Rajasthan, it has been clarified expressly therein that in view of the aforesaid condonation, there was no case pending against our Company, and that the fast-track Court at Bhilwara be requested not to pursue the case further. However, this case is still pending before the fast-track Court at Bhilwara.
- B. The Superintendent, Central Excise Department, Jodhpur has filed an appeal at the Court of the District and Sessions Judge, Jodhpur against the Order of the Economic Offences Court, Jodhpur dated 20th January, 2004 acquitting our Company, seven of our (then) employees (including Mr. Dinesh Nolkha, our Managing Director) and ex-employees and two others in a criminal case filed for evasion of duty amounting to Rs. 41,81,382/- (Rupees Forty One Lacs Eighty One Thousand three Hundred Eighty Two) which is a criminal offence under various sub-sections of Section 9 of the Central Excise Act. This case is pursuant to the facts alleged in the Show Cause Notice No. V(52)15/Seiz-off/99/99/5913 dated 29th October, 1999 issued to our Company, alleging inter alia that cotton yarn in cone form, which is subject to excise duty, was removed from the factory in the guise of plain hank yarn, which is exempted from excise duty. Details regarding this Show Cause Notice and subsequent proceedings there under have been detailed under the head "Outstanding Litigations and Material Developments" on page 164 of this Red Herring Prospectus.

The case is currently pending at the Court of the District and Sessions Judge, Jodhpur.

For further details as regards these cases, please refer "Outstanding Litigations and Material Developments" on page 164 of this Red Herring Prospectus.

2. *We have been subject to penalties by regulatory bodies.*

There are two past cases and one pending case, wherein penalties have been imposed by regulatory bodies

and were paid by us, in addition to cases currently pending in appeal/re-adjudication in which penalties were imposed at intermediate stages and are subject to appeal. The details of these past cases are as follows:

- A) A Show Cause Notice No. V(52) 15/seiz/off/53/98/379 dated 15th January, 1999 was issued to our Company, alleging, inter alia that that our Company had removed 3000 Kgs. of cotton valued at Rs. 1,54,000/- (Rupees One Lac Fifty Four Thousand) without accounting for the same in their statutory Central Excise records and also manufactured and stored 9309 Kgs. of cotton yarn valued at Rs. 6,45,706/- (Rupees Six Lacs Forty Five Thousand Seven Hundred Six) also without accounting for the same in their statutory Central Excise records with an intent to remove the same without payment of Central Excise duty. Pursuant to orders passed by Central Excise authorities in this regard at the original and appellate stages, the penalties imposed on our Company and our Directors were as follows:
- (a) Penalty of Rs. 8,884 under Section 11AC of the Central Excise Act (equivalent to the Central Excise Duty payable of Rs. 8,884/-);
 - (b) Redemption Fine of Rs. 50,000/-;
 - (c) Penalty (under Rule 9(2) read with Rule 173Q of the Central Excise Rules) of Rs. 2,000;
 - (d) Penalty of Rs. 5,000 on Mr. Dinesh Nolkha, Managing Director of our Company, in addition to penalties amounting to Rs. 5,000/- each on two other employees of our Company, Mr. Umesh Toshniwal and Mr. C.M. Jhanwar under Rule 209A of the Central Excise Rules.

Thus, the total penalty imposed on our Company amounted to Rs. 60,884/- (Rupees Sixty Thousand Eight Hundred Eighty Four) and on our Directors and employees amounted to Rs. 15,000/- (Rupees Fifteen Thousand).

- B) A Show Cause Notice No. V (55)/Seiz.Off/15/99/3625 dated 15th September, 1999 was issued to our Company, alleging, inter alia that that our Company had manufactured and stored 2668 Kgs. of cotton yarn valued at Rs. 1,93,800 (Rupees One Lac Ninety Three Thousand Eight Hundred) without accounting for the same in their statutory Central Excise records with an intent to remove the same without payment of Central Excise duty. Pursuant to orders passed by Central Excise authorities in this regard at the original and appellate stages, the penalties imposed on our Company and our Directors were as follows:
- (a) Redemption Fine of Rs. 20,000/-;
 - (b) Penalty (under Rules 209 and 226 of the Central Excise Rules) of Rs. 15,000;

Thus, the total penalty imposed on our Company amounted to Rs. 35,000/- (Rupees Thirty Five Thousand).

- C) There is also a pending excise case against our Company, arising out of Show Cause Notice No. V(5204)15/seizure/11/33/1200 dated 14th July, 1999 in which penalties amounting to Rs. 12,000/- (Rupees Twelve Thousand) have been imposed on our Company and personal penalty of Rs. 5,000/- (Rupees Five Thousand) has been imposed upon Mr. Dinesh Nolkha, Managing Director which penalties have been upheld, but the amount of duty is subject to re-computation by the Adjudicating Authority. For details, kindly refer to case bearing Serial No. B6 in "Outstanding Litigations and Material Developments" on Page 164 of this Red Herring Prospectus.
- D) With reference to the case bearing Serial No. B5. in section titled "Outstanding Litigations and Material Developments" on Page 164 of this Red Herring Prospectus - The Customs and Central Excise Settlement Commission ("Settlement Commission") has, vide its Final Order no. F-342/CE/05-SC (PB) dated October 5, 2005 settled our Company's final duty liability at Rs. 39,54,022/- (Rupees Thirty Nine Lacs Fifty Four Lacs Twenty Two), which amount has already been deposited by our Company with the concerned authorities. The Settlement Commission has also imposed interest @ 10% per annum on the duty amount finally settled from the date the duty was due till the date(s) payment of duty, and the computation of this interest is pending with the central excise department.



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Other current cases in which penalties have been imposed upon our Company are subject to appeal are disclosed under the head “There are a number of outstanding litigations against our Company and our Directors” in Risk Factors on page 10 of this Red Herring Prospectus. For further details as regards all these cases, kindly refer to “Outstanding Litigations and Material Developments” on Page 164 of this Red Herring Prospectus.

3. ***We are yet to obtain certain approvals and licences for our Project of manufacturing Cotton Yarns & Knitted Fabrics.***

We have applied for the following approvals and licences for our Project, which we have not yet received:

Approval / Consent	Concerned Authority	Status
Application for conversion of agricultural land into industrial land for setting up Ring Spinning Plant at village Hamirgarh.	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Application made vide letter dated 13 th June, 2005.
Application for conversion of agricultural land (at specified locations mentioned therein) into industrial land for setting up Ring Spinning Plant, knitting and power plant at village Hamirgarh.*	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Application made vide letter dated 10 th September, 2005.
Application for conversion of agricultural land (at specified locations mentioned therein) into industrial land for setting up Ring Spinning Plant, knitting and power plant at village Hamirgarh.	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Application made vide letter dated 10 th September, 2005.

*Approval received by us for two of the locations applied for, identified by us in this application, namely Aaraji No. 112 admeasuring 14 Biswas and Aaraji No. 113 admeasuring 1 Bigha 8 Biswa vide land conversion order dated October 14, 2005

In addition to the above, we have submitted an Industrial Entrepreneurs Memorandum to the Secretariat for Industrial Approvals, Department of Industrial Policy and Promotion, Ministry of Industry, Government of India in respect of increase in production capacity of cotton yarn. We are awaiting the acknowledgement receipt of the same.

Further, we are required to apply for the following licences, approvals and permissions pertaining to our Project:

Sr. No.	Approval / Consent	Concerned Authority	Remarks
1.	Conversion of agricultural land into industrial land (for some of the lands acquired since 16 th June, 2005)	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Will be applied in due course. Further, without approval for conversion such land cannot be used by us for the purposes of our Project.
2.	Registration and License to work a factory	Chief Inspector of Factories	To be applied on receipt of land conversion order
3.	Registration of Boiler under Indian Boilers Act, 1923	Chief Inspector of Factories and Boilers, Rajasthan, Jaipur	To be applied in due course

Sr. No.	Approval / Consent	Concerned Authority	Remarks
4.	License to Import and Store Petroleum	Chief Controller of Explosives, Department of Explosives, Government of India	To be applied in due course.
5.	Consent to Operate under Sections 25/26 of Water (Prevention and Control of Pollution) Act, 1974	Regional Officer, Rajasthan State Pollution Control Board, Bhilwara	To be applied in due course.
6.	Consent to Operate under Section 21 of Air (Pollution and Control of Pollution) Act, 1981	Regional Officer, Rajasthan State Pollution Control Board, Bhilwara	To be applied in due course.
7.	License for Private Bonded Warehouse under Section 58 of the Customs Act	Assistant Commissioner, Central Excise Division – Bhilwara	To be applied in due course.
8.	Permission to start work and other operations under Section 65 of the Customs Act 1962, in the expansion area	Assistant Commissioner, Central Excise Division, Bhilwara	To be applied in due course.
9.	Amendment to Letter of Permission for increase in production capacity	Development Commissioner, Noida Export Processing Zone, Noida	To be applied in due course.

Further, our Company would also need to intimate the Textile Commissioner, Bombay about the increase in production capacity.

4. Terms of repayment of principal and interest due on the term loan availed from Industrial Development Bank of India were, on one occasion, re-organized

Interest on a loan of Rs. 1500 Lacs from IDBI for Quarters Ended December 31, 2001, March 31, 2002 and June 30, 2002 was itself converted into a loan pursuant to reorganization of loan terms due to long term fund requirements, and thus interest payments aggregating to Rs. 1,65,00,000/- (Rupees One Crore Sixty Five Lacs only), being interest for those quarters, were to be repaid subsequently. However, this conversion was objected to by IDBI-TUF Cell, on the ground that TUF subsidy would not be available until there was actual payment of interest, in accordance with Government of India TUF Guidelines. Thus, the pending interest amounting to Rs. 1,65,00,000/- (Rupees One Crore Sixty Five Lacs only) was repaid by us in two instalments on 17th March 2003 and 25th March, 2003.

However, as on date there is no overdue principal and/or interest amount in our Company.



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5. *There are a number of outstanding litigations against our Company and our Directors*

We are involved in a number of legal proceedings incidental to our business and operations. A brief summary of all these outstanding litigations is mentioned hereunder:

Sr. No.	Nature of Case	Amount Involved (in Rs.)*	Remarks
1.	Sales tax cases: There are three sales tax cases pending against our Company.	37,43,927	<p>A) A case involving a liability of Rs.1,40,000/- is pending in appeal before the Joint Excise and Taxation Commissioner (Appeals), Rohtak Circle, Rohtak, Haryana.</p> <p>B) A case involving a liability of Rs. 23,927 is pending in appeal before the Rajasthan High Court.</p> <p>C) Show cause notice dated 8th July, 2005 with a financial impact of Rs. 35.80 Lacs (as of 31st July, 2005) has been served upon our Company. Our Company has submitted reply to the Assistant Commissioner, Sales Tax Department, Special Circle, Bhilwara and also attended personal hearing on 22nd July, 2005.</p>
2.	Customs cases: There are two customs cases pending against our Company	5,43,600	In both these cases, show cause notices were served upon our Company in 2004 for clearance of High Speed Diesel without payment of additional customs duty. Our Company has filed reply in both these cases with the Assistant Commissioner of Customs, Kandla and also attended personal hearing on 21 st April, 2005.
3.	Excise and Service Tax Cases: There are seven Excise and Service Tax Cases pending against our Company.	36,03,192/- on our Company (being duties amounting to Rs. 21,54,847/- and fines and penalties amounting to Rs. 14,49,065)** 1,05,000 personal penalty on Mr. Dinesh Nolkha, Managing Director of our Company.	<p>A) A case involving a liability of Rs. 2,30,292 on our Company is pending in appeal before the Rajasthan High Court.</p> <p>B) A case involving a liability of Rs. 15,000 on our Company is pending in appeal before CESTAT, New Delhi.</p> <p>C) A case involving a liability of Rs. 5,02,875 on our Company is pending in appeal before the Supreme Court</p> <p>D) A case involving a liability of Rs. 25,98,044 on our Company and Rs. 1,00,000 on Mr. Dinesh Nolkha, Managing Director is pending before the Commissioner (Appeals – II), Customs & Central Excise.</p> <p>E) A case in which central excise duty liability has been settled by the Settlement Commission and paid by our Company, the amount of the interest directed to be paid by the Settlement Commission is in the process of re-computation by the central excise department, and payment of the</p>

Sr. No.	Nature of Case	Amount Involved (in Rs.)*	Remarks
			<p>same is pending such computation. In absence of a specific demand, the same is not quantifiable .</p> <p>F) A case involving a liability of Rs. 1,58,086 on our Company being duty of Rs. 146,086 and penalties of Rs. 12,000, and of Rs. 5,000 on Mr. Dinesh Nolkha, Managing Director has been remanded by CESTAT to the Adjudicating Authority for re-computation of duty payable. However, the fines and penalties are not subject to re-computation, and have been upheld.</p> <p>G) A case involving a liability of Rs. 99,615 on our Company is pending before Commissioner (Appeals).</p>
4.	Income Tax Cases: There is one Income-tax case pending against our Company.	Not quantifiable, as the Notice does not quantify any demand amount.	Notice has been issued to our Company, but no hearings have taken place to date.
5.	Workmen's Compensation cases: There is one Workmen's Compensation case pending against our Company.	2,87,860 along with interest @ 18% p.a. from the date of accident (being 5 th January, 2004) till date of payment.	The case is pending before the Workmen's Compensation Commissioner
6.	Criminal cases: There are two criminal cases pending against our Company and our employees including our Managing Director Mr. Dinesh Nolkha, one under the Essential Commodities Act, 1955 and one under the Central Excise Act, 1944.	Not quantifiable.	Kindly refer to risk factor titled "There are two criminal cases pending against our Company and one of our Promoters." on Page 10 of this Red Herring Prospectus.
7.	Cases against Directors: There are four cases pending against Mr. Dinesh Nolkha, Managing Director of our Company. Two of them are criminal cases, as detailed in 6. above. The other two are excise cases, as detailed in 3D) and 3F) above.	Criminal cases: Not quantifiable Excise cases: Rs. 1,05,000 (being personal penalties, as detailed in 3. above)	

*The amount involved is the amount expressly claimed, being the liability and financial impact which our Company and/or our Directors may incur if it/they are unsuccessful in legal proceedings.



However, it does not include those penalties, interests and costs, if any, which may be imposed on our Company and our Directors which may have been pleaded but not quantified in the course of legal proceedings, or which the Court/Tribunal otherwise has the discretion to impose upon our Company. The imposition and amount of such penalties/interest/costs are at the discretion of the Court/Tribunal where the case is pending. Such liability, if any, would crystallize only on the order of the Court / Tribunal where the case is pending.

** Does not include cases wherein penalties were imposed on our Company and our Directors at intermediate stages, but the orders imposing penalties were set aside/modified in subsequent proceedings. For further details as regards these cases, please refer to “Outstanding litigations and Material Developments” beginning on page 164 of this Red Herring Prospectus.

6. *There has been a revision in implementation schedule of the Project*

Our Company had envisaged acquisition of land for the Project by 30th June 2005, which has actually been completed by 31st July 2005. Further, all of this land is earmarked for agricultural use, and our application for conversion of the said agricultural land into land for industrial use is pending. Due to this, subsequent activities like development of land and civil work have also been delayed. Further, it has also impacted the ordering of Plant and Machinery & Miscellaneous Fixed Assets. However, we estimate to complete the Project within the overall time schedule.

7. *There is difference between the cost of Plant & Machineries as appraised by IDBI, the quotations obtained and orders placed by our Company*

We have obtained quotations for Plant & Machineries from various suppliers both in domestic as well as international market. In certain cases, there is a difference between the prices and the quantity as per quotations and as appraised by IDBI. Further, we have placed orders for Plant & Machinery (Indigenous) worth Rs. 1839.25 Lacs as against the appraised cost of Rs. 1527.40 Lacs. We have also placed an order for Plant & Machinery (Imported) worth 6,256,875.00 CHF as against the appraised cost of 7,160,131.80 CHF. In case, our Company is not able to negotiate the final price for the balance Plant & Machineries from the suppliers based upon the prices appraised by IDBI, there may be a variation in the actual cost of Plant & Machineries, and any upward variation in the total actual cost will be met through Contingencies as earmarked for this project and additional funds mobilized by our Promoters. For further details please refer to the heading “Plant & Machineries” beginning on page 79 of this Red Herring Prospectus.

8. *We are yet to place orders for purchase of Plant & Machineries.*

We have placed orders for Plant & Machineries aggregating Rs. 4,091.73 Lacs (assuming 1 CHF = Rs.36.00) which is around 42% of the overall requirement as envisaged for the project i.e. Rs. 9715 Lacs. We are yet to place orders for purchase of balance Plant & Machineries. Negotiations in respect of technical specifications with some vendors have been commenced and orders will be placed in the due course, once the negotiations are completed. Any increase in prices or adverse exchange rate fluctuations of these equipments may adversely affect our estimates of Project cost resulting in increased funds requirement and which may delay our schedule of implementation for the Project. For further details please refer to the heading “Plant & Machineries” beginning on page 79 of this Red Herring Prospectus.

9. *We are dependent on external suppliers for Cotton, which constitutes the largest component of our raw material costs for manufacturing Cotton Yarns*

For manufacturing cotton yarns, we are dependent on external suppliers for many of our inputs, especially for cotton, which constitutes the largest component of our raw material cost. Cotton procurement constitutes a significant part of our total lead-time. Any delays or non-conformance to quality requirements by our suppliers can impact our ability to meet our customer’s requirements and thus impact our business.

10. The prices we are able to obtain for the cotton yarns and knitted fabrics (cotton) that we produce depend largely on prevailing market prices.

The wholesale price of cotton has a significant impact on our profits. Cotton is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. As a result, any prolonged decrease in cotton prices could have a material adverse effect on our Company and our results of operations.

11. Any delay in the commencement of operations as scheduled as per the proposed expansion plan may affect our profitability.

We have embarked on new project with an investment of Rs. 15,000 Lacs. Timely commencement of commercial operations in this project will have a critical bearing on our financial performance. Any delay in their completion or to the beginning of cotton yarns and knitted fabrics production may adversely impact the results of our operations and may adversely affect the market price of the Equity Shares.

12. Appraiser of our Project, IDBI has mentioned certain Risk Factors in its Appraisal Report.

Appraiser of our Project, IDBI has mentioned the following Risk Factors and their mitigations in its Appraisal Report:

Risk	Mitigation Mechanism/Support Structure
1. Sponsor Risk	<ul style="list-style-type: none"> Track record of promoter is good. Promoter is involved in day-to-day working of the company. The promoter has sound financial strength and is in position to bring in his contribution in advance.
2. Participant Risk	<ul style="list-style-type: none"> Project shall be implemented by the company in-house and no participant risk is envisaged.
3. Operating risk	<ul style="list-style-type: none"> Technology is well established. Company is acquiring the latest technology machines available in the international market.
4. Project completion or overrun risk	<ul style="list-style-type: none"> The Company has implemented similar phased expansion projects in the past. The company is confident of implementing the project in scheduled time.
5. Supply risk	<ul style="list-style-type: none"> The main raw material is cotton and is adequately available indigenously. The company has been sourcing its raw material from various spinning units and additional requirement will be met from them. The company is already in the line of production and expansion scheme is to meet the demand of their product.
6. Market Risk	<ul style="list-style-type: none"> The expansion scheme is being implemented near the company's existing plant at Bhilwara Major portion of production (75%) will be sold in the export market. It has existing network of overseas buyers.



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Risk	Mitigation Mechanism/Support Structure
7. Environment Risk	<ul style="list-style-type: none"> No risk envisaged. Company will be manufacturing grey yarn. Necessary steps for environment clearance would be taken from pollution control board and other Govt. agencies. Textile Industry is not a major polluting industry.
8. Political risk	<ul style="list-style-type: none"> No political risk is envisaged in the project.
9. Foreign Exchange risk	<ul style="list-style-type: none"> Some of the machineries are proposed to be imported. No FOREX loan is proposed Adequate contingency margin is provided in the scheme. The company is exporting 75% of its production; thereby foreign exchange fluctuation will be naturally hedged.
10. Funding/Syndication risk	<ul style="list-style-type: none"> Promoters have good track record with banks and FIs and payment track record is good. Company has approached IDBI for appraising the project. Company is confident of tying up the means of finance. Shortfall to be brought by the promoters with no recourse to term lenders.
11. Force Major Risk	<ul style="list-style-type: none"> Sudden change in Govt. policy regarding TUFS reimbursement etc. may affect viability, but it may not be retrospectively. The removal of quota system from January 1, 2005 may increase the competition.
12. Legal Risk	<ul style="list-style-type: none"> The security for all previous loans has been created. Proposed loan will be secured inter-alia by an extension of charge as well as mortgage of the new land.

13. We have made an application for a trademark, which is pending registration

We have applied to the Registrar of Trade Marks, Mumbai during 1996-97 for registration of the Trade Mark monogram "N" in Class 24 for various yarns and fabrics and the same has been allotted no. 733923 as of 13th January, 1997. Further, vide letter no. U-ACPT/3636 dated 18th July, 2003 issued from the office of the Trade Marks Registry Mumbai, we have been informed that the application will be advertised before acceptance in the Trade Marks Journal. However, the said application has not yet been advertised and no further intimation / communication has been received by our Company from the Trade Marks Registry in this regard. Thus, our Company's application is pending.

14. Any failure to keep abreast with the latest trends in the technologies may adversely affect our cost competitiveness and ability to develop new products.

We operate in a technologically intensive environment, where we compete on a global scale, especially in the export market. Technology by its very nature is dynamic and ever-changing, and we may not be able to keep pace with the rapidly changing technological environment. Any such failure on our part could adversely affect our ability to compete efficiently, our cost-competitiveness and the quality of our products, which could consequentially adversely affect our sales and profitability.

15. All our manufacturing facilities are geographically located in one area.

All our manufacturing facilities (existing and proposed) are based in and around Hamirgarh, Bhilwara. As a result, any localized social unrest, natural disaster or breakdown of services and utilities in Hamirgarh, Bhilwara could have material adverse effect on the business, financial position and results of operations of our Company. Further, continuous addition of industries in and around Hamirgarh, Bhilwara without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure in Hamirgarh, Bhilwara, which may affect our business. Further, spiraling cost of living in Hamirgarh, Bhilwara may push our manpower cost in the upward direction, which may reduce our margin and cost competitiveness.

16. We are subject to risks arising from foreign exchange rate fluctuations, which could adversely affect our business, financial condition and results of operations.

Since, our Company is a 100% EOU, export sales forms major part of our overall sales and results into realization in foreign currencies. Further, we shall import certain plant & machineries for the Project, for which we would require to make payments in foreign currencies. Any adverse fluctuations in the current estimated exchange rates as against the Indian Rupee could adversely affect our business, financial condition and results of operations. We have not hedged our risks against foreign exchange fluctuations in this regard.

17. Our success depends in large part upon our senior management and key personnel and our ability to attract and retain them.

We are highly dependent on our senior management and our other key personnel. Our future performance will depend upon the continued services of these persons. Competition for senior management in our industry is intense, and we may not be able to retain our senior management personnel or attract and retain new senior management personnel in the future.

18. Our manufacturing activities are dependent upon availability of skilled and unskilled labour.

Our manufacturing activities are relatively labour intensive and dependent on availability of skilled and unskilled labour in large numbers. Large labour intensive operations call for good monitoring and maintenance of cordial relations. Non-availability of labour and/or any disputes between the labour and the management may affect our business operations.

19. We face substantial competition in the textile business, both from Indian and international companies, which may adversely affect our revenues.

We face significant competition from existing players and potential entrants in the Indian textile industry. The Indian textile industry is highly competitive both in the cotton yarn cotton knitted fabrics. Internationally, we will face competition mainly from large vertically integrated and diversified companies as well as new companies, particularly in Pakistan, Bangladesh, Korea, China and Indonesia. Some of our international competitors are larger than us and have greater financial resources.

Increased competition could result in price reductions, decreased sales, lower profit margins or losses in market share, any of which could have an adverse effect on our business, results of operations and financial condition. We cannot be certain that we will continue to compete successfully against either current or potential competitors in the future.

20. Members of our Promoters' Group will continue to retain significant control in Our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval.

After this Issue, members of our Promoter group will beneficially own approximately [•] % of our post-Issue Equity Share Capital. As a result, our Promoters' 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 Promoters' 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.

21. Our loan agreements contain several restrictive covenants.

We have availed of several loans and financial facilities from various banks and financial institutions. The agreements entered into by us and guarantees given by our Promoters for availing such loans and financial facilities contain several restrictive covenants, some of which operate on a day-to-day basis, and the others which operate on any default by us in meeting our repayment obligations, or not complying with the terms of those agreements. These covenants, especially (but not restricted to) those which require us to obtain approval of bankers for undertaking certain activities, and those which operate on default, are restrictive and can prejudicially and adversely affect and continue to affect our current operations and future plans. For further details please refer to "Capital Structure" appearing on page 42 of this Red herring Prospectus.

22. Our current debt sanctions impose on us certain restrictive covenants

Our current debt sanctions with the IDBI Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab National Bank and The Bank of Rajasthan Ltd. contain certain restrictive covenants which require us to obtain the prior consent of the Banks before undertaking certain action such as new project, expansion or diversification, effecting any scheme of amalgamation reconstitution or merger; raising any additional debt; changing or altering our capital structure; declaration of dividend; withdrawal of money brought in by promoters; escrow of future cash flows or create any charge or lien or interest of whatsoever nature; change in the project scope, equipment or any other aspect which will render the project ineligible for assistance under the TUFS; dealing with other than members banks; any change in promoter, directors or in the core management team; extending any finance to associate concerns; review of cost of the project before final disbursement of the loan; approval from various government authorities; disposal of shareholdings held by the promoters; submission of financial closure of loan from the bank/FI's and raise the public issue money before disbursal; conversion of land into industrial land, etc.

Further, these sanctions also provide for commitment charges on the undrawn amount and penal interest in case of default in payment of installment/interest, delay / non-submission of stock statement. Moreover, the Banks reserve the right to amend, alter the terms and conditions or withdraw all or any credit limits sanctioned at any time at its discretion without assigning any reasons whatsoever.

23. We have not provided for contingent liabilities.

As per the audited balance sheet as on 30th September 2005, we have not provided for the following contingent liabilities:

(Rs. in Lacs)			
Sr. No.	Particulars	Half Year Ended 30.09.05	Previous Year Ended 31.03.05
1.	Bills discounted with Banks	769.02	583.01
2.	Counter Guarantee given in respect of guarantees given by the company's banker.		1.51
3.	Taxation matters in respect of which appeals / show cause notices are pending :		
	– Sales Tax	34.95	1.82
	– Excise & Customs	60.10	60.10

24. Our Promoters and Directors are interested in properties occupied by our Company

Our Company has taken two premises on rent, one from Redial Trading & Investment Private Limited (its corporate Promoter) and one from R.L. Nolkha (HUF), whose Karta is Mr. R. L. Nolkha, our Promoter and Chairman and Managing Director. The premises rented from Redial Trading & Investment Pvt. Ltd. are being used as the city office of our Company, while the premises belonging to R.L. Nolkha (HUF) is being used as a guesthouse. For further details please refer “Interest of Promoters” appearing on page 121 of this Red Herring Prospectus.

EXTERNAL RISK FACTORS

Certain factors beyond the control of our Company could have a negative impact on our Company's performance, such as:

1. Reduction or termination of policies instituted to promote growth of the textile sector.

The Government of India has instituted several policies to promote the growth of the Indian textile sector. These include interest rate subsidies and duty / tax reimbursement schemes like duty drawback / DEPB. Termination of or variation in the terms of such policies can adversely impact the profitability of textile companies in the country, including us. Further, any change in regulatory environment in relation to manufacturing in India or for marketing our products within and outside India will significantly impact our business.

2. Increasing employee compensation in India may erode some of our competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than the wage costs in the developed countries for comparably skilled professionals in the textile industry, which has been one of our competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. The buoyancy in the Indian textile industry with the opening up of global trade may lead to an increase in wage costs which could result in increased cost for textile professionals. This can impact our performance and margins and may result in a material adverse effect on our business.

3. Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could prevent or block our ability to do business, increase our costs and negatively affect our stock price. These geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could prevent or block our ability to do business, increase our costs and negatively affect our stock price.

4. Regional conflicts in Asia and other export markets could adversely affect the Indian economy, which in turn may disrupt our operations and cause business to suffer.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring



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countries, including between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. Also, since early 2003, there have been military hostilities and civil unrest in Afghanistan and Iraq. Such political tensions could create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on our business.

5. *Growing competition may adversely affect our operations.*

We operate in a globally competitive business environment. We face significant competition from countries such as Pakistan, Bangladesh, Indonesia, China, Korea, etc. which also have cheaper labour and significant production capacities. We may also face competition from other established companies and future entrants into the industry. The growing competition may force us to reduce prices of our products, which may reduce our revenues and margins and/or decrease our market share, either of which could adversely affect our business, financial condition and results of operations.

6. *If we fail to comply with environmental laws and regulations or face environmental litigation, our results of operation may be adversely affected.*

Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. If, as a result of compliance or non-compliance with any environmental regulations, any of our units or the operations of such units are shut down, we will continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labour and other costs which continue even if the facility is closed. As a result, our overall operating expenses will increase and our profits will decrease.

7. *The price of our Equity Shares may be highly volatile.*

The Equity Shares of our Company are currently not listed. The price of our Equity Shares on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors including:

- Volatility in Indian and global securities market;
- Our results of operations and performance;
- Performance of our competitors and perception in the Indian market about investment in the textile sector;
- Adverse media reports, if any, on our Company or the Indian textile industry;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and de-regulation policies; and
- Significant development in India's fiscal and environmental regulations.

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

8. The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section “Basis for Issue Price” on page 64 of this Red Herring Prospectus) and may not be indicative of the market price for our Equity Shares after the Issue.

The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly and other variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- Changes in revenue or earnings estimates or publication of research reports by analysts;
- Speculation in the press or investment community;
- General market conditions; and
- Domestic and international, economic, legal and regulatory factors unrelated to our performance.

Notes:

1. Size of the Present Issue [●] Equity Shares of Rs.10 each for cash at a Price of Rs. [●] per Equity Share, aggregating to Rs. 4,900 Lacs. The Face Value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the Face Value.
2. The net cost of acquisition of Equity Shares of Rs. 10/- each by our Promoters, is as follows:

Name of our Promoters	Average Cost (Rs.)
Mr. R. L. Nolkha	4.09
Mr. Dinesh Nolkha	6.19
Mr. Nitin Nolakha	4.50
Redial Trading & Investment Pvt. Ltd.	3.04
Prasham Corporate Services (India) Pvt. Ltd.	1.50

3. The Pre Issue Net Worth of our Company as on March 31, 2005 and September 30, 2005 is Rs. 3163.04 Lacs and 4235.57 Lacs respectively.
4. Book value per Equity Share was Rs. 17.22 and Rs. 18.88 as on March 31, 2005 and September 30, 2005.
5. For details on Related Party Transactions refer to the section titled “Related Party Disclosures” beginning on page no. 140 of this Red Herring Prospectus.
6. There are no loans and advances given to any person / company in which the directors are interested by our Company.



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7. Investors are free to contact the BRLM, Co-BRLM, Syndicate Members or Compliance Officer for any complaints / information / clarification pertaining to this Issue.
 8. All information shall be made available by us and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
 9. Investors are advised to refer the paragraph on “Basis for Issue Price” on page no. 64 of this Red Herring Prospectus before making an investment in this Issue.
 10. Investors should note that in case of oversubscription in the Issue, allotment will be made on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders, as also to Employees of our Company under the Employee Reservation Portion, while allotment to QIBs will be on a discretionary basis. Please refer to the paragraph titled “Basis of Allotment or Allocation” on page 204 of this Red Herring Prospectus.

SUMMARY

Industry and Business of our Company

You should read the following summary together with the risk factors included from page no. 10 to 24 and the more detailed information about us and our financial data included in this Red Herring Prospectus.

Note: Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, see “Forward-Looking Statements” beginning on page 9 in this Red Herring Prospectus.

INDUSTRY OVERVIEW

Indian Textile Industry

Textile Industry is one of India's largest industries, after agriculture. It provides direct employment to about 350 Lacs people. Besides this, there are a large number of ancillary industries, which are dependent upon this sector, such as manufacturing various machines, accessories, stores, ancillary items and chemicals. Known globally for its skill and craftsmanship, the Indian textile industry is also one of the largest export earners and accounts for about 35% of the gross export earnings in trade. Trade restrictions have hitherto kept the Indian textile industry from soaring to the height it is capable of, but this is expected to change, as after January 2005 the quota and other trade restrictions are being removed.

Textiles cover the following sub-segments: -

- 1) Fibre intermediates; P-X, DMT, PTA, MEG, Caprolactum, Wood Pulp etc.,
- 2) Fibres: ginning and pressing of cotton, manufacture of PFY, NFY, Rayon fibre etc.
- 3) Synthetic fibre/filament processing viz., drawing, texturising, twisting etc.,
- 4) Yarn: spinning cotton & blends on rotors and ring frames
- 5) Weaving/Knitting
- 6) Processing and
- 7) Distribution.

Structure of the Textile Industry

The industry has a complex structure marked by presence of large-scale and small scale production units. The industry is manufacturer driven with spinning having large scale operations and the retailing as the weakest link. From growing own raw material (cotton, jute, silk and wool) to providing value added products to consumers (fabrics and garments), the textile industry covers a wide range of economic activities, and results in employment generation in both organized and unorganized sectors.

Post MFA Global Environment

Till December 31, 1994, the exports of textiles to certain developed countries (e.g. United States of America (USA); Member countries of European Union (EU), Canada) were governed by bilateral textile arrangement entered into between India and these countries under the aegis of the Multi-Fibre Arrangement (MFA), outside the rules of the General Agreement on Tariffs and Trade (GATT). With effect from January 01, 1995, the quantitative restrictions (import quotas) in the bilateral agreements under the MFA, were taken over by the Agreement on Textiles and Clothing (ATC) contained in the Final Act of the Uruguay Round negotiations of the GATT.

Implication on Indian Textile Industry

India has a very strong and diverse raw material base for manufacturing fibres/yarn from natural (i.e., cotton, wool, silk, jute) to artificial (i.e., synthetic, cellulosic and multiple blend of such fibres/yarn) raw materials. India has competitive advantage in terms of labour cost also. International Textile Manufacturers Federation (ITMF) conducted a comparative



manufacturing cost study of 7 countries including India. This study has indicated that Indian industry has competitive advantage in terms of raw material cost and labour cost in manufacture of yarn and fabric. Therefore MFA phase out may not have much adverse impact on domestic textile industry. Top textile importing countries like USA and the EU are looking towards India for meeting their import requirements. India, according to several recent studies, is going to emerge as alternative source of supply to China. India's growth in exports will be driven by value added made ups and apparel as India has comparative advantages over its competitors in relation to (i) availability of relatively inexpensive and skilled workforce; (ii) design expertise; (iii) large production base of basic raw material like home grown cotton, yarns and fabrics; and (iv) availability of wide range of textiles. (Source: Ministry of Textiles, Annual Report 04-05)

According to a recent study by CRISIL (commissioned by ICMF), the Indian textiles and apparel industry can achieve a potential size of USD 85 billion by 2010, of which, the domestic market potential would be USD 45 billion and export potential would be USD 40 billion. Nearly 60% of exports would comprise garments. This would create 12 million job opportunities, comprising of 5 million direct jobs in textile industry, and 7 million jobs in allied sectors.

Initiatives in the Recent Past to Grant Impetus to the Textile Industry

- (i) **Announcements in the Union Budget 2005-06:** To strengthen domestic textile industry for meeting the growing global competition, the following important announcements have been made in the Union Budget 2005-06:
- The allocation to TUFs has been enhanced to Rs. 43500 Lacs, along with an additional capital subsidy of 10% for the processing sector; 30 items of textiles products and hosiery have been identified for dereservation from items reserved for Small Scale Industry;
 - Creation of a Special Purpose Vehicle (SPV) for improving infrastructure in manufacturing with an investment of Rs. 10,000 Crores; Excise Duty on Polyester Filament Yarn (PFY) and Polyester Texturised Yarn (PTY) reduced from 24% to 16%;
 - Optional CENVAT Scheme has been extended to stand alone Texturising Units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
 - Peak customs duty rates reduced from 20% to 15%; and
 - Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is being continued.
- (ii) **Announcement of National Textile Policy:** One of the main objectives of the National 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 USD 50 billion by 2010 of which the share of garments will be USD 25 billion.
- (iii) **Technology Upgradation Fund Scheme:** In view of the urgent need for stepping up the process of modernization and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFs) for the textile and jute industry for a five year time frame from 01.04.1999 to 31.03.2004. The scheme has since been extended till 31.03.2007. The scheme provides 5% interest reimbursement in respect of loans availed there under from the concerned financial institutions for investments in benchmarked technology for the sectors of the Indian textile industry specified there under. An additional option has been given to powerloom units for 20% capital subsidy under Credit Linked Capital Subsidy (CLCS-TUFs) upto a cost of Rs. 100 Lacs in eligible machinery with facility to obtain credit from a credit network that includes all co-operative banks and other genuine non banking financial companies (NBFC) recognized by the Reserve Bank of India.
- (iv) **Liberalization of FDI Policy:** Government of India has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector.
- (v) **Export Promotion Capital Goods (EPCG) Scheme:** The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy as announced on August 31, 2004.
- (vi) **Advance Licensing Scheme:** With a view to facilitating exports and to access duty free inputs under the scheme, standard input-output norms for about 300 textile and clothing export products have been prescribed and this scheme remains operation.

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- (vii) **Duty Exemption Pass Book (DEPB) Scheme:** DEPB credit rates have been prescribed for 83 textile and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized. The DEPB credit rates were reduced by 45% across the board on all textile items on 23.09.2004. While addressing the concerns of certain segments of the trade, the DEPB credit rates were again revised on 30.12.2004 by announcing changes to the extent of 60% reduction in respect of cotton textile items, 30% reduction in blended textile and woollen items and 22.5% reduction in man-made textile and silk items in place of the 45% reduction effected earlier.
- (viii) **Duty Drawback Scheme:** The exporters are allowed refund of the excise and import duty suffered on inputs of the export products under this Scheme. The Department of Revenue announced revision in All Industry Rates of Duty Drawback (AIR of DBK) on 18.01.2005 and the changes made effective from 19.01.2005. There has been substantial reduction in AIR of DBK in almost all textile export products except certain items of silk and wool sectors. In the revised Drawback Schedule, 165 new entries of textile products have been created in addition to earlier 101 entries. The revised rates have been prescribed on the basis of weight of the export product instead of earlier system based on FOB value of the product. Besides, in respect of apparel items, the drawback rates have also been given on the basis of composition of textiles.



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OUR BUSINESS

Our Company is currently engaged in manufacture of combed and carded cotton yarns ranging from Ne 4 to Ne 40 in single and multifold and knitted fabrics. These yarns are suitable for applications such as apparels, undergarments, Terry Towels, Denims, Medical Fabrics, Furnishing Fabrics and Industrial Fabrics. Further, as part of vertical integration, our Company has installed Knitting Machines. Our Company has the capacity to knit single Jersey, Rib and interlock fabric and other possible structures. Knitting is the cheapest and fastest process of converting yarn into fabric. The knitted fabrics produced by our Company are used for made Ups in apparel and garment industry.

Our Company has installed plant & machineries imported from Textile Machinery Manufacturers like Rieter (Switzerland), Savio (Italy), Mayer & Cie (Germany), Schlafhorst AG & Co. (Germany), Truetzschler (Germany) and Elitex (Czechoslovakia). We have also installed plant & machineries purchased from Laxmi Machine Works, Kirloskar Toyoda Textile Machine & Zinser Textile System.

Our Company has at present an installed capacity of 27,216 spindles and 1,872 rotors for cotton yarn with a manufacturing capacity of 10,000 TPA and 15 knitting machines for knitted fabrics with a manufacturing capacity of 2,000 TPA. We have continuously expanded and modernized our facilities in line with the industry trend, which has also been supported by term loans from Financial Institutions and Banks under Technology Upgradation Funds Scheme (TUFS) introduced by Government of India.

Our Company also has a Captive Power Plant of 3.5 MW based on Furnace Oil along with standby arrangements for electricity. Being a 100% EOU, our Company is able to purchase furnace oil directly at landed cost without Cess & Taxes for captive power plant. Hence, our power cost per unit is lower by 35% to 40% against per unit cost charged by State Electricity Board.

Our Company is exporting cotton yarns and knitted fabrics to countries like Australia, Bahrain, China, Colombia, Egypt, Israel, Italy, Korea, Mauritius, Russia, Poland, U.K., U.S.A. and others. We supply to customers, who are in fields like apparel and garment industry, industrial fabrics, furnishing fabrics, towels, Denims etc. At present, our exports are restricted to around 18-20 countries only, which leaves more scope for our Company to develop new markets and to increase our presence accordingly. Further, with the phasing out of quota restrictions, our Company is expecting to achieve high growth rate in the global markets in the coming years.

To cope with the continuous growing demand in the overseas and domestic markets and to attain economies of scale, our Company proposes further expansion of manufacturing capacity by adding 50,400 spindles for cotton yarn production and 12 knitting machines for knitted fabric production. Our Company also proposes to set-up a Power Plant of 8.18 MW near our existing unit located at Hamirgarh, Bhilwara, which is estimated to be sufficient for our captive power requirements in relation to the Project.

THE ISSUE

Equity Shares Issued: Fresh Issue by our Company	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 4,900 Lacs
Out Of which:	
Promoters' Contribution in the Issue:	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 900 Lacs
Employee Reservation Portion⁽¹⁾	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 250 Lacs
Net Issue to the Public:	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 3,750 Lacs
A) Qualified Institutional Buyers portion (QIBs)	[●] Equity Shares of face value of Rs. 10/- each constituting up to 50% of the Net Issue to the Public (Allocation on a discretionary basis)
B) Non-Institutional Portion	[●] Equity Shares of face value of Rs 10/- each constituting at least 15% of the Net Issue to the Public (Allocation on a proportionate basis)
C) Retail Portion	[●] Equity Shares of face value of Rs 10/- each constituting at least 35% of the Net Issue to the Public (Allocation on a proportionate basis)
Note: Under-subscription, if any, in any of the categories would be allowed to be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLM and Co-BRLM.	
Equity Shares outstanding prior to the Issue	1,75,00,000 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	[●] Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	Please see section titled "Objects of the Issue" on page no. 55 of this Red Herring Prospectus for additional information.

⁽¹⁾ For the purpose of the Employee Reservation Portion, Eligible Employee means Permanent Employees / Executive Directors of our Company who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

Objects of the Issue

The objects of the Issue are to raise capital aggregating Rs. 49.00 Crores for part financing the fund requirement of Rs. 150.00 Crores for the Project. The proposed project of our Company will include addition of 50,400 Spindles for cotton yarn production, 12 Knitting Machines for knitted fabrics production and installation of 8.18 MW Power Plant. The fund requirement includes Rs. 75.00 Lacs for Land, Rs. 1,710.00 Lacs for Building, Rs. 9,715.00 Lacs for Plant & Machinery, Rs. 800.00 Lacs for Miscellaneous Fixed Assets, Rs. 945.00 Lacs for Pre-operative Expenses, Rs. 847.00 Lacs for Provision for Contingency and Rs. 908.00 Lacs for Margin Money for Working Capital.

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

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue-related expenses, is estimated at Rs. 4,585 Lacs.

The main objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present issue. Further, we confirm that



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the activities we have been carrying out until now is in accordance with the objects clause of our Memorandum of Association.

Cost of Project and Means of Finance

The cost of project and means of finance as appraised by IDBI vide their appraisal note dated 24th May 2005 are given below:

Cost of Project

		Rs. in Lacs
Particulars		Amount
Land		75.00
Building		1,710.00
Plant & Machinery – Imported	6,745.00	
– Indigenous	2,970.00	9,715.00
Miscellaneous Fixed Assets		800.00
Pre-operative Expenses		945.00
Provision for Contingency		847.00
Margin Money for Working Capital		908.00
Total Cost of Project		15,000.00

Means of Finance

		Rs. in Lacs
Particulars		Amount
Equity Share Capital – Public	4,000.00	
– Promoters	900.00	4,900.00
Internal Accruals		1,500.00
Unsecured Loan from Promoters		250.00
Term Loan – From IDBI	3,000.00	
– From Banks	5,350.00	8,350.00
Total Means of Finance		15,000.00

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following summary financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. R.S. Dani & Co., Chartered Accountants dated 20th October, 2005 in the section titled "Financial Statements". You should read this financial data in conjunction with our financial statements for each of Fiscal 2001, 2002, 2003, 2004, 2005 and 6 months ended 30th September, 2005 including the Notes thereto and the Reports thereon, which appears on page 123 under the paragraph on "Auditor's Report" in this Red Herring Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Restated Financial Statements" on page 145 of this Red Herring Prospectus.

Statement of Assets & Liabilities (As Restated)

(Rs. in Lacs)

Sr. No.	Particulars	31.3.01	31.3.02	31.3.03	31.3.04	31.3.05	30.9.05
A	Fixed Assets						
	Gross Block	2168.13	7054.43	7151.67	7145.91	11028.79	11098.33
	Less : Depreciation	858.46	1059.43	1687.86	2306.94	2961.03	3437.84
	Net Block	1309.67	5995.00	5463.81	4838.97	8067.76	7660.49
	Capital Work in Progress	3694.74			2537.08		449.73
	Total	5004.41	5995.00	5463.81	7376.05	8067.76	8110.22
B	Investment	0.03	0.03	0.03	0.06	0.06	0.06
C	Current Assets, Loans & Advances						
	Inventories	962.50	1573.92	1833.61	1971.90	2833.12	2703.36
	Sundry Debtors	298.39	268.23	351.29	297.09	627.23	469.79
	Cash and Bank Balances	38.51	35.26	33.47	73.60	79.84	129.17
	Loans and Advances	217.30	203.14	220.98	502.24	543.89	764.78
	Total	1516.70	2080.55	2439.35	2844.83	4084.08	4067.10
D	Liabilities and Provisions						
	Secured Loans	3976.50	5390.92	5213.15	6651.11	8181.30	7388.86
	Unsecured Loans	94.50	88.09	69.36	60.36	51.08	
	Deferred Tax Liability (Net)			347.79	326.85	343.19	332.67
	Current Liabilities & Provisions	326.34	251.49	173.46	279.29	413.29	220.28
	Total	4397.34	5730.50	5803.76	7317.61	8988.86	7941.81
E	Net Worth (A+B+C-D)	2123.80	2345.08	2099.43	2903.33	3163.04	4235.57
F	Represented by						
	Equity Share Capital	1250.00	1250.00	1250.00	1630.35	1750.00	1750.00
	Preference Share Capital		150.00	150.00	150.00	150.00	150.00
	Share Application Money	150.00			167.51		781.00
	Reserves & Surplus	723.89	946.46	699.43	955.47	1263.04	1554.57
	Less : Miscellaneous Expenses (To the extent not written off)	-0.09	-1.38				
	Net Worth	2123.80	2345.08	2099.43	2903.33	3163.04	4235.57



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Statement of Profit & Loss (As Restated)

(Rs. In Lacs)

Sr. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	Half Year Ended 30.9.2005
A	Income						
	a) Of Products manufactured by Company	2965.06	4684.84	5868.78	6402.00	7999.84	4765.39
	b) Of Products traded by Company	490.28	41.63	119.08	126.46	86.73	21.67
	Total Income	3455.34	4726.47	5987.86	6528.46	8086.57	4787.06
	Other Income	3.95	4.48	7.81	16.11	26.16	1.68
	Increase / (Decrease) in Stock	66.50	64.66	54.69	24.33	61.64	179.17
	Total	3525.79	4795.61	6050.36	6568.90	8174.37	4967.91
B	Expenditure						
	Cost of Raw Material Consumed / Goods Sold	2300.21	3049.69	3263.03	3787.21	4782.99	2802.92
	Manufacturing Expenses	340.57	593.50	731.46	715.77	971.96	679.37
	Excise Duty	88.33	151.31	118.39	139.35	129.94	43.59
	Personnel Expenses	67.93	176.79	202.86	217.17	262.15	149.41
	Administrative & Other Expenses	47.81	81.52	98.21	106.31	94.94	42.34
	Selling & Distribution Expenses	103.70	179.51	257.68	291.15	379.04	160.96
	Total	2948.55	4232.32	4671.63	5256.96	6621.02	3878.59
C	Net Profit before Interest, Depreciation, Tax and Extraordinary items	577.24	563.29	1378.73	1311.94	1553.35	1089.32
	Depreciation	202.58	204.52	629.86	627.17	654.83	478.44
	Interest & Financial Charges	162.23	116.75	626.83	575.28	585.29	296.69
	Profit / Loss before Tax	212.43	242.02	122.04	109.49	313.23	314.19
	Provision for Taxation						
	- Current Tax	0.59		1.03		8.74	23.53
	- Deferred Tax					16.34	-10.51
	- Fringe Benefit Tax						0.88
D	Profit / Loss after Tax but before Extra – ordinary Items	211.84	242.02	121.01	109.49	288.15	300.29
	Extra-ordinary Items						
	Add / (Less) taxation for earlier years				1.02	(10.13)	
	Add/(Less) Effect of change in accounting policy on account of deferred tax provisions			(13.09)	20.94		
E	Profit/Loss after Extra-ordinary Items	211.84	242.02	107.92	131.45	278.02	300.29
	Less : Dividend on Preference Shares		19.45	20.25	24.42	16.19	7.68
	Less : Tax on Dividend				3.13	2.12	1.08
	Profit available for appropriation	211.84	222.57	87.67	103.90	259.71	291.53

GENERAL INFORMATION

NITIN SPINNERS LIMITED

(Incorporated as Private Limited Company on 15th October, 1992 under the Companies Act, 1956. Subsequently, our Company was converted into a public limited company for which Certificate of Incorporation was issued on 15th November, 1994.

Registered Office: 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara – 311 025.

Tel: +91-1482-286110 to 13 Fax: +91-1482-286114

Website: www.nitinspinners.com E-Mail: ipo@nitinspinners.com

Contact person: Mr. T.K. Jain, Company Secretary & Finance Manager

Company Registration No.: 17-06987 **Registrar of Companies:** 132, Vijay Nagar Kartarpura, Near Railway Phatak, Imliwala Phatak, Jaipur, Rajasthan

Our Board of Directors

Name of Director	Designation
Mr. R. L. Nolkha	Chairman & Managing Director
Mr. Dinesh Nolkha	Managing Director
Mr. Nitin Nolkha	Executive Director
Mr. Bhagwan Ram	Independent & Non Executive Director
Mr. Y.R. Shah	Independent & Non Executive Director
Dr. S.K. Sharma	Independent & Non Executive Director
Mr. B. P. Singh	IDBI Nominee Director

BRIEF PROFILE (EXECUTIVE DIRECTORS)

Mr. R. L. Nolkha

Mr. R. L. Nolkha, aged 59 years, is one of our key Promoters. He is a Chartered Accountant, Company Secretary and Cost & Works Accountant by qualification. He is the Chairman & Managing Director of our Company and has been on our Board since inception of our Company. He has experience of more than 3 decades in the textile industry. He started his career in 1969 with Zenith Limited, a Birla Concern and also associated with Aditya Mills Ltd. and Surya Roshini Ltd. before joining Bhilwara Group (LNJ) in 1976. He was the Managing Director of BSL Limited for 8 years before becoming Whole-time Director of Nitin Spinners Limited in the year 1997.

He is a member of several industry associations and chambers. He was the President of Mewar Chamber of Commerce & Industry twice, first in the years 1987-1989 and again in the year 1998-1999. He was also Vice Chairman of the Northern India Textile Research Association in the year 2003. He has been awarded with "Udyog Patra" in the year 2003. He is a co-opted member of Northern India Regional Council of Institute of Company Secretaries of India, New Delhi. He is presently incharge of finance, macro management and strategic matter of our Company.

Mr. Dinesh Nolkha

Mr. Dinesh Nolkha, aged 34 years is one of our key Promoters. He is a Chartered Accountant and Cost & Works Accountant by qualification. He is elder son of Mr. R. L. Nolkha. Mr. Dinesh Nolkha is the Managing Director of our Company and is on our Board since inception of our Company.

He established our Company in year 1992 and is involved in setting-up all the projects of our Company and managing our day-to-day operations. He has gained experience in all aspects of operations viz. raw material procurement, marketing, plant operations, finance and administration. Presently, he monitors the day to day operations, marketing, exports and expansion projects. He has a total experience of 13 years.



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Mr. Nitin Nolakha

Mr. Nitin Nolakha, aged 29 years, is one of our Promoters. He is Master of Business Administration (Marketing) by qualification from the University of Indore in the year 1998. He is the younger son of Mr. R. L. Nolkha. Mr. Nitin Nolakha is an Executive Director of our Company

He has been associated with our Company for last five years. After initial grooming in all operational activities of our Company, he is presently responsible for procurement / purchases and operation of our plant. He has a total experience of 7 years.

BRIEF PROFILE (OTHER THAN EXECUTIVE DIRECTORS)

Mr. Bhagwan Ram is a Graduate from University of Paris and Georgetown University, Washington D. C. He did postgraduate diploma in Economics and Finance from International Institute of Public Administration, Paris. He joined IAS in May, 1958 and was allotted Rajasthan Cadre. He held various responsible and senior positions during his tenure. He retired from service on superannuation in August, 1991 from the rank of Principal Secretary to Government of Rajasthan.

Mr. Y. R. Shah is Bachelor of Textiles from the University of Mumbai. He started his career as Lecturer in VJTI – Sasmira. He has worked in senior positions in the Birla Group in marketing, technical areas and foreign projects. He then joined Gokak Mills – a Tata Group Company, in the year 1977 as Marketing Manager. He was promoted to the post of Jt. Managing Director on 1st November, 1992. He is presently engaged in providing technical and marketing services to various companies.

Dr. S.K. Sharma is Master of Science in Textile from the University of Punjab. He further did Ph.D. in Textile Technology from the University of Shri Shahuji Maharaj, Kanpur in the year 1997. He was a Professor in TIT College, Bhiwani. He joined the MLV Textile College, Bhilwara as Principal in the year 1989.

Mr. B.P Singh has a Masters degree in Operations Research (Delhi University) and Marketing Management (Mumbai University). He is currently Corporate Head – Human Resources, IDBI Ltd. Human resource (HR) functionaries at various levels in IDBI Ltd. report to him as regards all HR related matters. His responsibilities include recruitment, promotion and training of staff and other HR related matters.

During his experience of over 23 years in IDBI, Mr. Singh has also dealt with Branch operations, corporate finance, information technology, market research. Prior to IDBI, Mr. Singh worked for about six years in a public sector unit (under Department of Heavy Industries).

COMPLIANCE OFFICER

Mr. T.K. Jain, Company Secretary & Finance Manager, has been designated as the Compliance Officer for this Issue. In case of any pre issue, post issue related problems such as non-receipt of letters of allotments/ share certificates/ demat credits/ refund orders etc., the investors are requested to contact the Compliance Officer at:

Mr. T.K. Jain

Company Secretary & Finance Manager,
Nitin Spinners Limited,
16-17 Km. Stone, Chittor Road,
Hamirgarh, Bhilwara – 311 025.
Tel: +91-1482- 286 111 Fax: +91-1482- 286 114
E-Mail: ipo@nitinspinners.com

LEGAL ADVISOR TO THE ISSUE**Crawford Bayley & Co.**

Advocates, Solicitors & Notaries
State Bank Building, 4th Floor,
N.G.N Vaidya Marg,
Fort, Mumbai – 400 023.
Tel: +91-22-22663713
Fax: +91-22-22660355
E-Mail: sanjay.asher@crawfordbayley.com

BANKERS TO OUR COMPANY**Industrial Development Bank of India Limited**

Branch Office: 1st Floor,
Anand Bhawan, S.C. Road,
Post Bag No. 22, Jaipur-302001
Tel: +91- 0141-2360581/82/83
Fax: +91- 0141-2372830
E-mail: shamikroy@idbi.co.in
Website: www.idbi.com

Oriental Bank of Commerce

Shanti Bhawan,
Bhilwara - 311 001.
Tel: +91-1482-224155
Fax: +91-1482-226317
E-Mail: rh_jpr@obc.co.in

Punjab National Bank

Main Branch,
Station Road,
Bhilwara – 311 001.
Tel: +91-1482-226219
Fax: +91-1482-230913
E-Mail: zmrasthan@pnb.co.in

Indian Overseas Bank

Transport Nagar,
Bhilwara – 311 001.
Tel: +91-1482-243810
Fax: +91-1482-211449
E-Mail: regmgr@jaisco.iobnet.co.in

The Bank of Rajasthan Ltd.

B/o: Gandhinagar,
Bhilwara
Tel: +91-1482-242021
Fax No.: +91-1482-242021
E-mail ID: gnbhilwara@rajbank.com

ISSUE MANAGEMENT TEAM**BOOK RUNNING LEAD MANAGER TO THE ISSUE****UTI Securities Limited.**

SEBI Registration No. INM000007458

MAPIN No. UIN 100000489

1st Floor, Dheeraj Arma,
Anant Kanekar Marg,
Station Road,
Bandra (East), Mumbai – 400 051.
Tel: +91-22-55515806 / 55515821
Fax: +91-22-55023194
Website: www.utisel.com
E-Mail: nitinspinners@utisel.com
Contact Person: Mr. Hitesh Mandot



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CO-BOOK RUNNING LEAD MANAGER TO THE ISSUE

IDBI Capital Market Services Limited

SEBI Regn. No. INM0000866

MAPIN No. UIN 100012476

8th Floor, Bhaktawar, 229, Nariman Point, Mumbai – 400 021.

Tel: +91-22-56371212

Fax: +91-22-22885850

Website: www.idbicapital.com

E-Mail: nitinspinners@idbicapital.com

Contact Person: Mr. Huzefa Sitabkhan

ADVISOR TO THE ISSUE

Stratcap Securities (India) Private Limited

(A wholly owned subsidiary of Strategic Capital Corporation Limited)

SEBI Regn. No. INM000009488

MAPIN No. UIN100015180

44, Strategic House, Mint Road, Mumbai – 400 001.

Tel: +91-22-56349946-49

Fax: +91-22-22642393

E-Mail: info@strategicindia.net

Contact Person: Mr. Rohit Mehta

REGISTRAR TO THE ISSUE

Bigshare Services Private Limited

SEBI Regn. No. INR000001385

MAPIN No. UIN 100003467

E-2/3, Ansa Industrial Estate, Saki Vihar Road,
Saki Naka, Andheri (East), Mumbai – 400 072.

Tel: +91-22-28470652

Fax: +91-22-28475207

Website: www.bigshareonline.com

E-Mail: ipo@bigshareonline.com

Contact Person: Mr. V. Kumareshan

BANKERS TO THE ISSUE

ICICI Bank Limited

Capital Market Division

30, Mumbai Samachar Marg, Fort, Mumbai 400 001

Tel.: 022-22655285

Fax: 022-22611138

Contact Person: Mr. Sidhartha Shankar Routray

Website: www.icicibank.com

E-mail: sidhartha.routray@icicibank.com

HDFC Bank Limited

2nd Floor, Trade World, New Building

Kamala Mills, Senapati Bapat Marg

Lower Parel, Mumbai 400 013

Tel.: 022-28569009

Fax: 022-28569256

Contact Person: Rahul Sampat

Website: www.hdfcbank.com

E-mail: rahul.sampat@hdfcbank.com

Standard Chartered Bank

270, D.N. Road, Fort, Mumbai 400 001

Tel.: 022-22683965/22092213

Fax: 022-22096069

Contact Person: Banhid Bhattacharya

Website: www.standardchartered.co.in

E-mail: banhid.bhattacharya@in.standardchartered.com

Punjab National Bank

Gopal Gunj, Near Gole Pyau

Station Road, Bhilwara 311 001 (Rajasthan)

Tel.: 01482-230913

Fax: 01482-226219

Contact Person: S.K. Jain

Website: www.pnbindia.com

E-mail: bo0052@pnbc.co.in

IDBI Limited

Mittal Tower, Ground Floor

Nariman Point, Mumbai 400 021

Tel.: 022-22885424

Fax: 022-56336362

Contact Person: Vivek Handa

Website: www.idbibank.com

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

SYNDICATE MEMBERS**Stratcap Securities (India) Private Limited**

(A wholly owned subsidiary of Strategic Capital Corporation Limited)

SEBI Regn. No. INM000009488

MAPIN No. UIN100015180

44, Strategic House, Mint Road, Mumbai – 400 001.

Tel: +91-22-56349946-49;

Fax: +91-22-22642393

Contact Person: Mr. Rohit Mehta

E-Mail: info@strategicindia.net

Enam Securities Pvt. Limited

Khatau Building, 2nd Floor,

44, Bank Street, Mumbai - 400 023.

Tel: +91-22-22677901; Fax: +91-22-22665613

Contact Person: Mr. Ajay Seth

E-mail: ajays@enam.com

Website: enam.com

AUDITORS TO OUR COMPANY**M/s. R. S. Dani & Co.**

Chartered Accountants,

Kothari Complex, Near G.P.O.,

Bhilwara – 311 025.

Tel: +91-1482-512100;

Fax: +91-1482- 512100

E-Mail: ashokmangal@yahoo.com



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STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

The responsibilities and co-ordination for various activities in this Issue have been distributed between the BRLM and the Co-BRLM as under:

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	UTISEL	UTISEL
2.	Due diligence of our Company's Operations/ Management/ Business Plans/ Legal etc. Drafting and design of the Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchange, RoC and SEBI including finalization of Prospectus and RoC filing of the same.	UTISEL	UTISEL
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, road-show presentations, FAQs, corporate films etc.	UTISEL	UTISEL
4.	Appointment of other intermediaries viz. Registrar, Printers, Advertising Agency and Bankers to the Issue.	UTISEL	UTISEL
5.	Institutional Marketing of the Issue, which will cover, inter alia, Finalizing the list and division of investors for one to one meetings; Finalizing road-show schedule and investor meeting schedules.	UTISEL & IDBI Capital	UTISEL
6.	Non-Institutional and Retail Marketing of the Issue, which will cover, inter alia, Formulating marketing strategies, preparation of publicity budget; Finalizing Media & PR strategy; Finalizing centers for holding conferences for brokers etc.; Finalizing collection centers; and Follow-up on distribution of publicity and issue material including form, Prospectus and deciding on the quantum of the Issue material.	UTISEL & IDBI Capital	UTISEL
7.	Managing the Book, co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading and finalization of pricing and institutional allocation in consultation with our Company.	UTISEL & IDBI Capital	UTISEL
8.	The post bidding activities including management of escrow accounts, coordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post issue activities will involve essential follow-up steps, which include the finalization of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.	UTISEL	UTISEL

CREDIT RATING

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

TRUSTEES

This being an issue of Equity Shares, appointment of trustees is not required.

APPRAISING ENTITY

Industrial Development Bank of India Ltd.

1st Floor, Anand Bhawan, S. C. Road
 Post Bag No. 22, Jaipur – 302 001.
 Tel: +91-141-2360581/82/83; 5108870/71/72
 Fax: +91-141-2372830
 Website: www.idbi.com
 E-Mail: rajiv.sharma@idbi.co.in

BOOK BUILDING PROCESS

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

The principal parties involved in the Book Building Process are:

- Our Company;
- Book Running Lead Manager, Co-Book Running Lead Manager;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters; and
- Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) up to 50% of the Issue shall be allocated on a discretionary basis to QIBs (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders (iii) not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details see the section titled “Terms of the Issue” on page 185 of this Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed UTI Securities Limited as the BRLM and IDBI Capital Market Services Limited as the Co-BRLM to procure subscription for the Issue.

The process of book building under the SEBI Guidelines is relatively new and the investors are advised to make their own judgment about investment through this process of book building prior to making a Bid in the Issue.

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

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

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



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

Steps to be taken for bidding:

1. Check eligibility for bidding (see the section titled "Issue Procedure - Who Can Bid" on page 189 of this Red Herring Prospectus);
2. Ensure that the Bidder has 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 attach copies of your PAN card or PAN allotment letter to the Bid-cum-Application Form (see the section titled "Issue Procedure" on page 188 of this Red Herring Prospectus);
4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form.

Withdrawal of the Issue

We, in consultation with the BRLM and the Co-BRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON	JANUARY 06, 2006
BID/ISSUE CLOSES ON	JANUARY 12, 2006

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Price Band will be decided by us in consultation with the BRLM and the Co-BRLM. The announcement on the Price Band shall also be made available on the websites of the BRLM, the Co-BRLM and at the terminals of the Syndicate.

We reserve 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 and can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three 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 BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM, the Co-BRLM and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares: (This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten (Rupees In Lacs)
UTI Securities Limited 1st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai – 400 051. Tel: +91-22-55515806 / 55515821 Fax: +91-22-55023194 E-mail: nitinspinners@utisel.com	[●]	[●]
IDBI Capital Market Services Limited 8 th Floor, Bhaktawar, 229, Nariman Point, Mumbai – 400 021. Tel: +91-22-56371212 Fax: +91-22-22885850 E-Mail: nitinspinners@idbicapital.com	[●]	[●]
Stratcap Securities (India) Pvt. Limited (A wholly owned subsidiary of Strategic Capital Corporation Limited) 44, Strategic House, Mint Road, Mumbai – 400 001. Tel: +91-22-56349946-49 Fax: +91-22-22642393 E-Mail: info@strategicindia.net	[●]	[●]
Enam Securities Pvt. Limited Khatau Building, 2nd Floor, 44, Bank Street, Mumbai - 400 023. Tel: +91-22-22677901 Fax: +91-22-22665613 E-mail: ajays@enam.com	[●]	[●]

The above-mentioned amount is indicative underwriting and would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●].

In the opinion of our Board of Directors and the BRLM (based on a certificate given by the Underwriters), the resources of all the above mentioned 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 stock exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, the Co-BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount as specified in the Underwriting Agreement. Allotment to QIBs is discretionary as per the terms of this Red Herring Prospectus and may not be proportionate in any way and the patterns of allotment to the QIBs could be different for the various Underwriters.



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CAPITAL STRUCTURE

The Share Capital of our Company as on the date of filing of this Red Herring Prospectus with SEBI is as set forth below:

	No. of Shares	Nominal Value (Rs.)	Aggregate Value (Rs.)
A. Authorised Capital			
	48,500,000 Equity Shares of Rs. 10/- each	485,000,000	485,000,000
	150,000 Preference Shares of Rs. 100/- each	15,000,000	15,000,000
B. Issued, Subscribed And Paid-Up Capital Before the Issue			
	17,500,000 Equity Shares of Rs. 10/- each	175,000,000	195,000,000
	150,000 Preference Shares of Rs. 100/- each#	15,000,000	15,000,000
C. Present Issue to the Public in Terms of This Red Herring Prospectus			
	[●] Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	[●]	490,000,000
	Out of Which		
	Promoters' Contribution		
	[●] Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	[●]	90,000,000
	[●] Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share are reserved for allotment to Permanent Employees (including Executive Directors) of our Company on a competitive basis		25,000,000
D. Net Offer to the Public through this Red Herring Prospectus			
	[●] Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	[●]	375,000,000
E. Paid-Up Equity Share Capital after the Present Issue			
	[●] Equity Shares of Rs. 10/- each	[●]	665,000,000
F. Share Premium Account			
	Before the Issue		20,000,000
	After the issue		[●]

On 16th April 2001, our Company has allotted 150,000 13.50% Cumulative Redeemable Preference Shares aggregating Rs. 1,50,00,000 to IDBI on private placement basis. On 1st June 2004, the dividend rate of these Preference Shares was subsequently reduced to 10.25%. These Preference Shares are redeemable in six equal half yearly instalments in 5th, 6th & 7th year from the year of allotment.

Notes to the Capital Structure:

1. Details of Increase / Modification in Authorized Share Capital

Rs. in Lacs

Sr. No.	Particulars of Increase / Modification	Equity Share Capital	Preference Share Capital	Total Authorised Share Capital	Date of Meeting	AGM / EGM
1.	Rs. 25 Lacs	25.00	-	25.00	Since Incorporation	-
2.	Rs. 25 Lacs to Rs.90 Lacs	90.00	-	90.00	30.01.93	EGM
3.	Rs. 90 Lacs to Rs.200 Lacs	200.00	-	200.00	30.09.94	AGM
4.	Rs. 200 Lacs to Rs.500 Lacs	500.00	-	500.00	30.08.96	AGM
5.	Rs. 500 Lacs to Rs.1,500 Lacs	1,500.00	-	1,500.00	15.04.00	EGM
6.	Modification in Authorised Share Capital	1,350.00	150.00	1,500.00	22.01.01	EGM
7.	Rs. 1,500 Lacs to Rs.2,000 Lacs	1,850.00	150.00	2,000.00	28.11.03	EGM
8.	Rs.2,000 Lacs to Rs.5,000 Lacs	4,850.00	150.00	5,000.00	02.06.05	EGM

2. Equity Share Capital Build-up: Our existing Equity Share Capital has been subscribed and allotted as under:

Date of Allotment / Fully Paid-up	No. of Equity Shares	Face Value (in Rs.)	Issue Price (in Rs.)	Consideration	Remarks	Cumulative Paid-up Capital (Rs.)	Cumulative Share Premium (Rs.)
30.11.92	14,000	10	10	Cash	Subscribers to Memorandum & Further Allotment	140,000	-
30.01.93	223,850	10	10	Cash	Further Allotment	2,378,500	-
31.03.93	278,450	10	10	Cash	Further Allotment	5,163,000	-
26.04.93	283,700	10	10	Cash	Further Allotment	8,000,000	-
31.05.93	60,000	10	10	Cash	Further Allotment	8,600,000	-
01.10.94	640,000	10	10	Cash	Further Allotment	15,000,000	-
24.01.95	300,000	10	10	Cash	Further Allotment	18,000,000	-
13.03.95	200,000	10	10	Cash	Further Allotment	20,000,000	-
21.05.97	1,450,000	10	10	Cash	Further Allotment	34,500,000	-
06.09.97	550,000	10	10	Cash	Further Allotment	40,000,000	-
11.05.00	2,000,000	10	10	Cash	Further Allotment	60,000,000	-
26.06.00	2,400,000	10	10	Cash	Further Allotment	84,000,000	-
10.10.00	1,350,000	10	10	Cash	Further Allotment	97,500,000	-
18.12.00	1,200,000	10	10	Cash	Further Allotment	109,500,000	-
03.02.01	1,550,000	10	10	Cash	Further Allotment	125,000,000	-
18.12.03	1,140,000	10	14	Cash	Further Allotment	136,400,000	4,560,000
14.01.04	861,000	10	14	Cash	Further Allotment	145,010,000	8,004,000
29.03.04	1,802,500	10	14	Cash	Further Allotment	163,035,000	15,214,000
31.05.04	1,196,500	10	14	Cash	Further Allotment	175,000,000	20,000,000
TOTAL	17,500,000					175,000,000	20,000,000



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3. Promoters' Contribution and Lock-in: We have the following five promoters, whose names figure in the Red Herring Prospectus as Promoters in the paragraph on "Our Promoters and their Background":

Sr. No.	Name of Promoter	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period * (Years)
1	Mr. R. L. Nolkha	30.01.93	Cash	3,000	10.00	10.00		
		31.03.93	Cash	1,500	10.00	10.00		
		26.04.93	Cash	15,000	10.00	10.00		
		31.05.93	Cash	10,000	10.00	10.00		
		01.10.94	Cash	85,000	10.00	10.00		
		21.05.97	Cash	60,000	10.00	10.00		
		06.09.97	Cash	20,000	10.00	10.00		
		30.12.97	Cash	40,000	10.00	10.00		
		30.04.98	Cash	152,500	10.00	10.00		
		30.04.98	Cash	20,000	10.00	2.50		
		12.08.98	Cash	200,000	10.00	2.50		
		11.03.99	Cash	400,000	10.00	2.00		
		06.05.99	Cash	45,000	10.00	2.00		
		06.05.99	Cash	5,000	10.00	2.50		
		02.08.99	Cash	210,000	10.00	1.50		
		01.03.00	Cash	(190,000)	10.00	2.00		
		11.05.00	Cash	340,500	10.00	10.00		
		10.10.00	Cash	100,000	10.00	10.00		
		03.02.01	Cash	291	10.00	10.00		
		18.07.01	Cash	163,000	10.00	2.00		
		20.03.02	Cash	70,000	10.00	10.00		
		20.03.02	Cash	(31,500)	10.00	10.00		
		25.07.02	Cash	20,000	10.00	2.50		
		25.10.02	Cash	300,000	10.00	1.00		
		25.10.02	Cash	100,000	10.00	1.21		
		03.01.03	Cash	20,500	10.00	10.00		
		25.02.03	Cash	(33,000)	10.00	4.00		
		14.01.04	Cash	224,000	10.00	14.00		
		31.05.04	Cash	13,500	10.00	14.00		
		15.11.04	Cash	146,000	10.00	1.50		
		26.11.04	Cash	1,614,709	10.00	1.50		
			Sub-Total	4,125,000				
		Subscription in the Issue	Cash	[•]	10.00	[•]		
			Total	[•]				

Sr. No.	Name of Promoter	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period * (Years)
2	Mr. Dinesh Nolkha	30.11.92	Cash	3,000	10.00	10.00		
		30.01.93	Cash	18,500	10.00	10.00		
		31.03.93	Cash	6,500	10.00	10.00		
		26.04.93	Cash	2,500	10.00	10.00		
		01.10.94	Cash	61,000	10.00	10.00		
		24.01.95	Cash	40,000	10.00	10.00		
		21.05.97	Cash	177,000	10.00	10.00		
		06.09.97	Cash	10,000	10.00	10.00		
		30.12.97	Cash	(40,000)	10.00	10.00		
		01.03.00	Cash	190,000	10.00	2.00		
		11.05.00	Cash	50,000	10.00	10.00		
		10.10.00	Cash	10,000	10.00	10.00		
		13.06.01	Cash	(190,000)	10.00	2.00		
		20.03.02	Cash	18,000	10.00	2.00		
		25.07.02	Cash	30,000	10.00	2.50		
		14.01.04	Cash	30,500	10.00	14.00		
		31.05.04	Cash	32,500	10.00	14.00		
		15.11.04	Cash	340,000	10.00	1.50		
			Sub-Total	789,500				
		Subscription in the Issue	Cash	[●]	10.00	[●]		
			Total	[●]				
3	Mr. Nitin Nolakha	30.11.92	Cash	4,000	10.00	10.00		
		30.01.93	Cash	16,500	10.00	10.00		
		31.03.93	Cash	9,000	10.00	10.00		
		01.10.94	Cash	70,000	10.00	10.00		
		21.05.97	Cash	42,500	10.00	10.00		
		30.12.97	Cash	(30,000)	10.00	9.00		
		01.03.00	Cash	60,000	10.00	1.50		
		11.05.00	Cash	213,000	10.00	10.00		
		10.10.00	Cash	5,000	10.00	10.00		
		13.06.01	Cash	190,000	10.00	2.00		
		20.03.02	Cash	10,000	10.00	2.00		
		03.01.03	Cash	(20,500)	10.00	10.00		
		14.01.04	Cash	113,000	10.00	14.00		
		31.05.04	Cash	17,500	10.00	14.00		
		15.11.04	Cash	150,000	10.00	1.50		
		26.11.04	Cash	615,000	10.00	1.50		
			Sub-Total	1,465,000				
		Subscription in the Issue	Cash	[●]	10.00	[●]		
			Total	[●]				



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Sr. No.	Name of Promoter	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period * (Years)
4	Redial Trading & investment Pvt. Ltd.	03.09.94	Cash	25,000	10.00	7.00		
		01.10.94	Cash	100,000	10.00	10.00		
		24.01.95	Cash	95,000	10.00	10.00		
		24.01.95	Cash	20,000	10.00	10.00		
		16.09.95	Cash	5,000	10.00	10.00		
		25.03.96	Cash	70,000	10.00	10.00		
		01.06.96	Cash	70,000	10.00	7.00		
		01.06.96	Cash	16,000	10.00	8.00		
		21.05.97	Cash	77,500	10.00	10.00		
		06.09.97	Cash	55,000	10.00	10.00		
		30.12.97	Cash	25,000	10.00	10.00		
		30.04.98	Cash	15,000	10.00	6.00		
		11.03.99	Cash	30,000	10.00	10.00		
		06.05.99	Cash	10,000	10.00	10.00		
		10.06.99	Cash	178,000	10.00	2.00		
		11.05.00	Cash	25,000	10.00	10.00		
		20.03.02	Cash	254,600	10.00	2.50		
		30.03.02	Cash	95,400	10.00	2.50		
		21.08.04	Cash	65,000	10.00	7.00		
		15.11.04	Cash	400,000	10.00	1.50		
		26.11.04	Cash	4,000	10.00	10.00		
		26.11.04	Cash	2,175,000	10.00	1.50		
			Sub-Total	3,810,500				
		Subscription in the Issue	Cash	[●]	10.00	[●]		
			Total	[●]				
5	Prasham Corporate Services (India) Pvt. Ltd.	26.11.04	Cash	3,107,050	10.00	1.50		
		Subscription in the Issue	Cash	[●]	10.00	[●]		
			Total	[●]				
			Grand Total	[●]				

The price which is less than the face value of Rs. 10/-, mentioned in the column "Issue/ Transfer Price" denotes price for inter-se transfer of shares amongst promoters and their friends, relatives and associates.

*20% of the post-Issue paid-up Equity Share Capital, as determined after the book-building process, from the four promoters i.e. Mr. R. L. Nolkha, Mr. Dinesh Nolkha, Mr. Nitin Nolkha and Prasham Corporate Services Pvt. Ltd. would be locked-in for a period of three years and the balance pre-Issue paid-up Equity Share Capital would be locked-in for a period of one year based on Last in first out (LIFO) basis. The lock-in period shall commence from the date of allotment of Equity Shares in the present Issue or the date of commencement of commercial production, whichever is later.

4. Individual shareholding of persons who constitute Promoters group (other than core promoters)

Sr. No.	Name of Promoter	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period * (Years)
1	Mr. D. P. Nolkha	30.11.92 31.03.93 01.10.94 21.05.97 06.09.97 01.03.2000 26.06.2000 25.02.03 31.05.04 26.11.04	Cash Cash Cash Cash Cash Cash Cash Cash Cash Cash	2,000 7,500 8,000 17,500 20,000 50,000 19,500 33,000 11,500 77,500	10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00 10.00	10.00 10.00 10.00 10.00 10.00 10.00 10.00 4.00 10.00 1.50		
			Total	2,46,500	10.00		[●]	1 year
2	Ms.Sushila Devi Nolkha	30.01.93 31.03.93 26.04.93 01.10.94 21.05.97 06.09.97 30.12.97 30.12.97 30.04.98 02.08.99 01.03.2000 11.05.2000 26.06.2000 10.10.2000 18.12.2000 18.07.01 20.03.02 14.01.04 31.05.04 15.11.04 26.11.04	Cash Cash	26,000 3,500 5,000 80,000 55,000 15,000 30,000 (25,000) 47,500 1,50,000 (1,06,000) 2,00,000 1,19,000 2,00,000 30,000 (1,36,000) 1,03,500 1,98,000 7,500 48,000 4,60,000	10.00 10.00	10.00 10.00 10.00 10.00 10.00 10.00 9.00 10.00 2.50 2.50 10.00 10.00 10.00 10.00 10.00 2.00 10.00 10.00 10.00 1.50 1.50		
			Total	15,11,000	10.00		[●]	1 year



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Sr. No.	Name of Promoter	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period * (Years)
3	R. L. Nolkha (HUF)	30.11.92	Cash	2,000	10.00	10.00		
		31.03.93	Cash	2,000	10.00	10.00		
		26.04.93	Cash	12,000	10.00	10.00		
		01.10.94	Cash	50,000	10.00	10.00		
		25.03.96	Cash	19,000	10.00	10.00		
		21.05.97	Cash	92,500	10.00	10.00		
		06.09.97	Cash	15,000	10.00	10.00		
		30.12.97	Cash	10,000	10.00	2.50		
		30.04.98	Cash	9,500	10.00	2.50		
		02.08.99	Cash	20,000	10.00	1.50		
		01.03.2000	Cash	(2,10,000)	10.00	1.50		
		11.05.2000	Cash	5,00,000	10.00	10.00		
		26.06.2000	Cash	1,75,000	10.00	10.00		
		18.07.01	Cash	2,81,500	10.00	2.50		
		18.07.01	Cash	(27,000)	10.00	2.00		
		20.03.02	Cash	(1,42,000)	10.00	10.00		
		14.01.04	Cash	38,000	10.00	10.00		
		15.11.04	Cash	1,00,000	10.00	1.50		
		26.11.04	Cash	96,000	10.00	1.50		
			Total	10,43,500	10.00		[●]	1 year
4	Mr. Ram Prakash Nolkha	31.03.93	Cash	2,000	10.00	10.00		
		31.05.93	Cash	3,000	10.00	10.00		
			Total	5,000	10.00		[●]	1 year
5	Ms. Kanta Devi Nolkha	31.03.93	Cash	3,000	10.00	10.00		
		31.05.93	Cash	2,000	10.00	10.00		
			Total	5,000	10.00		[●]	1 year
6	Ms. Krishna Nolkha	24.01.95	Cash	10,000	10.00	10.00		
		21.05.97	Cash	56,000	10.00	10.00		
		01.03.2000	Cash	60,000	10.00	10.00		
		11.05.2000	Cash	26,500	10.00	10.00		
		14.01.04	Cash	15,000	10.00	10.00		
		26.11.04	Cash	42,500	10.00	1.50		
			Total	2,10,000	10.00		[●]	1 year
7	Ms. Sohan Devi Nolkha	01.10.94	Cash	5,500	10.00	10.00		
		21.05.97	Cash	19,000	10.00	10.00		
		11.05.2000	Cash	20,000	10.00	10.00		
		26.11.04	Cash	3,32,500	10.00	1.50		
			Total	3,77,000	10.00		[●]	1 year

Sr. No.	Name of Promoter	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period * (Years)
8	Ms. Geeta Devi Nolkha	01.10.94	Cash	7,500	10.00	10.00		
		21.05.97	Cash	39,000	10.00	10.00		
		01.03.2000	Cash	46,000	10.00	10.00		
		31.05.04	Cash	3,000	10.00	10.00		
		15.11.04	Cash	84,000	10.00	1.50		
		26.11.04	Cash	1,57,500	10.00	1.50		
			Total	3,37,000	10.00		[●]	1 year
9	Master Pratyush Nolkha	02.08.99	Cash	17,500	10.00	1.50		
		10.10.2000	Cash	15,000	10.00	10.00		
		14.01.04	Cash	15,000	10.00	10.00		
		31.05.04	Cash	6,000	10.00	10.00		
		26.11.04	Cash	2,00,000	10.00	1.50		
			Total	2,53,500	10.00		[●]	1 year
10	Ms.Ranjeeta Nolkha	14.01.04	Cash	20,000	10.00	10.00		
		15.11.04	Cash	47,000	10.00	1.50		
		26.11.04	Cash	45,000	10.00	1.50		
			Total	1,12,000	10.00		[●]	1 year
11	Dinesh Nolkha (HUF)	15.11.04	Cash	1,00,000	10.00	1.50		
			Total	1,00,000	10.00		[●]	1 year

5. The specific written consent has been obtained from the respective shareholders for inclusion of such number of their existing shares and further subscription in the Issue to ensure minimum Promoters' contribution subject to lock-in to the extent of 20% of Post-Issue Paid-up Equity Share Capital.



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6. The Pre-Issue & Post-Issue shareholding pattern of our Promoters' Group is as under*:

	Particulars	Pre-Issue		Post-Issue**	
		No. of Shares @ Rs. 10/- each	% Holding	No. of Shares @ Rs. 10/- each	% Holding
a.	Promoters	13,297,050	75.98%	[●]	[●]
b.	Immediate Relatives of the Promoters	2,333,000	13.33%	[●]	[●]
c.	Companies in which 10% or more of the share capital is held by the Promoters / an immediate relative of the Promoters / a firm or HUF in which the Promoters or any one or more of their immediate relatives is a member	-	-	[●]	[●]
d.	Companies in which Company mentioned in c. above holds 10% or more of the share capital	-	-	[●]	[●]
e.	HUF or firm in which the aggregate share of the promoters and his immediate relatives is equal to or more than 10% of the total	1,143,500	6.53%	[●]	[●]
f.	All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoter's Group".	724,000	4.14%	[●]	[●]
	Total	17,497,550	99.99%	[●]	[●]

* Our Company's corporate promoters are Redial Trading & Investment Pvt. Ltd. ("Redial") and Prasham Corporate Services (India) Pvt. Ltd. ("Prasham"). The Directors of Redial are Mr. R.L. Nolkha and Mr. Dinesh Nolkha, whose shareholding has already been specified above, they also being Promoters of our Company. The Directors of Prasham are Mr. Nitin Nolkha and Mrs. Krishna Nolkha. Mr. Nitin Nolkha's shareholding has already been specified above, he being a Promoter of our Company, while Mrs. Krishna Nolkha, who is wife of Mr. Dinesh Nolkha, one of our Promoters, holds 210,000 shares in our Company and has been specified above under "Immediate Relative of the Promoters".

** Post Issue Shareholding pattern will be determined after the Book-Building Process.

7. Shareholding Pattern of our Company before and after the Issue is as under:

Category	Pre-Issue		Post Issue*	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters & Promoters' Group	17,497,550	99.99	[●]	[●]
NRIs / FIIs	2,450	0.01	[●]	[●]
Public	-	-	[●]	[●]
Total	17,500,000	100.00	[●]	[●]

* Post Issue Shareholding pattern will be determined after the Book-Building Process.

8. The entire pre-issue Equity Share Capital of our Company, other than the minimum promoters' contribution, shall be locked-in for a period of one year from the date of allotment in the present Public Issue or the date of commencement of commercial production, whichever is later.

9. Our Promoters, their relatives & associates, and the Directors of our Company and the Directors of our corporate Promoters, directly or indirectly, have not purchased, sold or financed any purchase or sale of shares of our Company during the last 6 months.
10. The Promoters contribution is not being brought-in less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies.
11. The Equity Shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoters, which are locked in, may be transferred to and among Promoter / Promoter Group or to a new promoter or persons in control of our Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan
12. Our Company, Promoters, Directors, the BRLM and the Co-BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of our Equity Shares issued by our Company through this Red Herring Prospectus.
13. As on the date of filing of this Red Herring Prospectus with SEBI, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. Further, our Company does not have any Employee Stock Option Plan.
14. Our Company has not capitalized any reserves since incorporation
15. An over-subscription to the extent of 10% of Net Offer to the Public can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment. Consequently, the actual allotment may go up by a maximum of 10% of the Net Offer to Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoters and subject to lock- in shall be suitably increased; so as to ensure that 20% of the Post Issue paid-up capital is locked in.
16. In case of over-subscription in all categories, up to 50% of the Net Issue to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in any of the categories would be allowed to be met with spill over from any other category at sole discretion of our Company in consultation with the BRLM and Co-BRLM.
17. Only Permanent Employees including Executive Directors of our Company who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form would be eligible to apply in this Issue under the Employee Reservation Portion on competitive basis. Employees and Executive Directors other than as mentioned hereinabove in this statement are not eligible to participate under the Employee Reservation Portion. Bid/ Application by Employees and Executive Directors of our Company can also be made in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.
18. The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
19. As on date of filing of this Red Herring Prospectus with SEBI, the entire Issued Share Capital of our Company is fully paid-up.



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20. Our top ten shareholders and the shares held by them two years prior to the date of filing the Red Herring Prospectus with RoC are as follows:

Sr. No.	Name of Shareholder	No. of Equity Shares
1	R. L. Nolkha	2,126,791
2	Redial Trading & Investment Pvt. Ltd.	1,166,500
3	Diamond Suiting Pvt. Ltd.	869,000
4	R. L. Nolkha (HUF)	809,500
5	Sushila Devi Nolkha	797,500
6	Nitin Nolakha	569,500
7	Charbhujia Securities Pvt. Ltd.	550,000
8	Subhi Fintrade Pvt. Ltd.	481,000
9	Uma Rathi	440,559
10	Rameshwar Rathi	414,654
	TOTAL	8,225,004

21. Our top ten shareholders and the shares held by them 10 days prior to the date of filing the Red Herring Prospectus with RoC are as follows:

Sr. No.	Name of Shareholder	No. of Equity Shares
1	R.L. Nolkha	4,125,000
2	Redial Trading & Investment Pvt. Ltd.	3,810,500
3	Prasham Corporate Services (India) Pvt. Ltd.	3,107,050
4	Sushila Devi Nolkha	1,511,000
5	Nitin Nolakha	1,465,000
6	R.L. Nolkha (HUF)	1,043,500
7	Dinesh Nolkha	789,500
8	Sohan Devi Nolkha	377,000
9	Geeta Devi Nolkha	337,000
10	Master Pratyush Nolkha	253,500
	TOTAL	16,819,050

22. Our top ten shareholders and the shares held by them as on the date of filing the Red Herring Prospectus with RoC are as follows:

Sr. No.	Name of Shareholder	No. of Equity Shares
1	R.L. Nolkha	4,125,000
2	Redial Trading & Investment Pvt. Ltd.	3,810,500
3	Prasham Corporate Services (India) Pvt. Ltd.	3,107,050
4	Sushila Devi Nolkha	1,511,000
5	Nitin Nolakha	1,465,000
6	R.L. Nolkha (HUF)	1,043,500
7	Dinesh Nolkha	789,500
8	Sohan Devi Nolkha	377,000
9	Geeta Devi Nolkha	337,000
10	Master Pratyush Nolkha	253,500
	TOTAL	16,819,050

23. Our Company has not raised any bridge loan against the proceeds of this Issue.

24. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares issued through this Red Herring Prospectus have been listed or application moneys refunded on account of failure of Issue.
25. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ 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 our Equity Shares) whether preferential or otherwise. However, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
26. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
27. The Equity Shares issued through this Issue shall be made fully paid up on allotment.
28. A Bidder cannot make a Bid for more than the number of Equity Shares being issued through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
29. Our Promoters and R.L. Nolkha (HUF) and Mrs. Sushila Devi Nolkha, both belonging to the Promoter Group, have pledged their fully paid up Equity Shares of Rs. 10 each held in our Company with IDBI. These Equity Shares have been pledged in favour of IDBI as security for the due repayment and discharge of term loan of Rs. 1500 Lacs pursuant to the following agreements:
- Agreement for Pledge of Shares dated 17th May, 2001 between (i) Mr. R.L. Nolkha; (ii) R.L. Nolkha (HUF); (iii) Mr. Dinesh Nolkha; (iv) Mr. Nitin Nolkha; and (v) Mrs. Sushila Devi Nolkha on the one hand and IDBI, on the other hand; and
 - Agreement for Pledge of Shares dated 17th May, 2001 between Redial Trading & Investment Private Ltd. and IDBI.

The list of Equity Shares Pledged as at August 12, 2005:

Sr. No.	Particulars	No. of Shares Pledged (in Lacs)
1.	Mr. R. L. Nolkha	10.50
2.	R.L. Nolkha (HUF) (Promoter Group)	6.00
3.	Mr. Dinesh Nolkha	1.00
4.	Mr. Nitin Nolkha	2.00
5.	Mrs. Sushila Devi Nolkha (Promoter Group)	4.50
6.	Redial Trading & Investment Pvt. Ltd.	6.00
	TOTAL	30.00

Vide letter dated 1st July, 2005, IDBI has given its no-objection for the lock-in of the aforesaid 30,00,000 Equity Shares pledged with it, as required by SEBI Guidelines.

30. Our Company has not revalued assets since inception and has not issued any shares out of the revaluation reserves or for consideration other than cash.
31. In respect of various agreements entered into by our Company with our lenders, we are bound by several restrictive covenants. Our movable and immovable properties are charged/hypothecated/mortgaged with these lenders, and we cannot deal with them in any manner or dispose them off without our lender's prior consent. We are also bound to create additional security for our lenders, in the event of deficiency/shortfall in security provided to them. We cannot also create any further charge or encumbrance on our assets or escrow our future cash flows without our lender's prior consent. Other activities that we cannot undertake without our lender's prior consent inter alia include changing our capital structure, any major expansion/ diversification, undertaking any merger/acquisition/amalgamation, changes



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in our Promoter Directors, availing any banking or credit facilities from any other lender(s), invest (by way of shares, debentures or in any other manner) in or lend funds to any other concern, undertake any guarantee obligations, enlarging of trading activities other than the list submitted to our lenders. Some of our lenders are also entitled to appoint a nominee Director on our Board. Our Company also cannot declare any dividend or distribute profits during any financial year, except if the pending dues of lenders have been duly paid. Our lenders are also empowered to immediately call for and demand repayment of their entire dues in certain circumstances, including on default in repayment of their dues. In relation to loans obtained by us under the TUFS (Technology Upgradation Fund Scheme), we cannot effect any changes to the project scope and equipment which would make it ineligible to obtain the benefits under TUFS. In addition to the aforesaid, and specifically in respect of the preference shares of our Company subscribed to by IDBI, we cannot issue any further preference shares without the prior consent of IDBI. IDBI also has the right, inter alia, to have the preference shares converted to equity shares of our Company on default in repayment of dividends.

32. We have 17 members as on the date of filing the Red Herring Prospectus with RoC.

OBJECTS OF THE ISSUE

The objects of the Issue are to raise capital aggregating Rs. 49.00 Crores for part financing the fund requirement of Rs. 150.00 Crores for the Project. The proposed project of our Company will include addition of 50,400 Spindles for cotton yarn production, 12 Knitting Machines for knitted fabrics production and installation of 8.18 MW Power Plant. The fund requirement includes Rs. 75.00 Lacs for Land, Rs. 1,710.00 Lacs for Building, Rs. 9,715.00 Lacs for Plant & Machinery, Rs. 800.00 Lacs for Miscellaneous Fixed Assets, Rs. 945.00 Lacs for Pre-operative Expenses, Rs. 847.00 Lacs for Provision for Contingency and Rs. 908.00 Lacs for Margin Money for Working Capital.

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

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue-related expenses, is estimated at Rs. 4,585 Lacs.

The main objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present issue. Further, we confirm that the activities we have been carrying out until now is in accordance with the objects clause of our Memorandum of Association.

Appraisal

To enable us to tie-up the means of finance for the project, viz, ensuing initial issue of equity shares to public and raising of term loans, our funds requirement and deployment have been appraised by Industrial Development Bank of India Ltd., vide their appraisal note dated 24th May 2005. Further, subject to the following disclaimer, IDBI vide letter dated 12th July 2005 has given its No Objection to incorporate the required details from the Appraisal Note prepared by it for the Project in this Red Herring Prospectus:

“The contents of this note are the opinion of IDBI and are based on the data, information furnished by the company. This Memorandum is not intended to form the basis of evaluation for potential lenders who are willing and eligible to provide the Loan Facility to the Company. No representation, warranty or undertaking (express or implied) is made, and no responsibility is accepted, by IDBI or any of its officers as to the adequacy, accuracy, completeness or reasonableness of the information contained herein or of any further information, statement, notice, opinion, expression or forecast made or supplied at any time in relation thereto. This Memorandum is not intended to provide any basis for any credit or any other evaluation and is not to be considered as a recommendation by IDBI to participate in the Loan Facility. Potential lenders are required to make (and will be deemed to have made) their own independent evaluation and judgement. It is the responsibility of potential lenders to have obtained all consents, approvals or authorizations required by them to offer to participate in the Loan Facility. By offering to participate in the Loan Facility, potential lenders will be deemed to have acknowledged that the IDBI do not owe them any duty of care in this respect. The delivery of the Memorandum at any time does not imply that the information in it is correct as at any time after the date set out in the cover page hereof, or that there has been no change in the operation, financial condition, prospects, creditworthiness, status or affairs of the company or anyone else since that date. All projections and forecast in this Memorandum are based on assumptions considered to be reasonable but the actual outcome may be materially affected by changes in economic and other circumstances, which cannot be foreseen. No representation or warranty (express or implied) is made that any projection, forecast, assumption or estimate contained in this Memorandum is accurate or will be achieved, and no representation or warranty is made to the future performance or policy of the Company and/or its subsidiaries. The reliance that the recipient of this Information Memorandum places upon the projections and forecasts is a matter for its own judgement.”

There has been no revision in the Cost of Project and Means of Finance after the date of issue of Appraisal Report.

Risk factors as mentioned in IDBI’s appraisal note are specified in “Risk Factors” beginning on Page 10 of this Red Herring Prospectus.



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Cost of Project and Means of Finance

The cost of project and means of finance as appraised by IDBI are given below:

Cost of Project

		Rs. in Lacs
Particulars		Amount
Land		75.00
Building		1,710.00
Plant & Machinery – Imported	6,745.00	
– Indigenous	2,970.00	9,715.00
Miscellaneous Fixed Assets		800.00
Pre-operative Expenses		945.00
Provision for Contingency		847.00
Margin Money for Working Capital		908.00
Total Cost of Project		15,000.00

Means of Finance

		Rs. in Lacs
Particulars		Amount
Equity Share Capital – Public	4,000.00	
– Promoters	900.00	4,900.00
Internal Accruals		1,500.00
Unsecured Loan from Promoters		250.00
Term Loan – From IDBI	3,000.00	
– From Banks	5,350.00	8,350.00
Total Means of Finance		15,000.00

We hereby confirm that excluding the amount to be raised through the proposed Public Issue, firm arrangements of finance through verifiable means towards 86.36% of the stated means of finance have been made.

BRIEF DETAILS ABOUT THE PROJECT

Land

Initially, our Company had proposed to acquire agricultural land admeasuring 15 acres (approximately 60,725 Sq. Mtrs.) near our existing plant at Hamirgarh, Bhilwara (Rajasthan) in the periphery of RIICO Industrial Area, Kanya Khedi. Accordingly, IDBI had appraised the cost of land as Rs. 75.00 Lacs, considering per acre cost of Rs. 5.00 Lacs. However, our Company has been able to acquire more land i.e. approximately 76,359 Sq. Mtrs. (approximately 19 acres) at comparatively lesser cost i.e. Rs. 47.99 Lacs (including stamp duty and registration charges) at Kanya Khedi and Hamirgarh. For further details about the acquired land, please refer section titled “Property” beginning on page 93 of this Red Herring Prospectus.

Our Company has applied for use of agricultural land aggregating 60,472 sq. mtrs. for industrial purposes vide letter dated 13th June 2005, for which approval is yet to be received. Further, our Company is yet to apply for use of some portions of the balance agricultural land acquired by us for industrial purpose.

The land is free of encumbrances and is registered in the name of our Company. Further, the persons from whom land has been acquired are not related to our Promoters / Directors.

Building

Our Company proposes to construct a factory shed admeasuring 19,000 sq. mtrs for spinning and knitting facilities. We have appointed M/s. Pratap Parikh Associates, Engineers & Architecture “Engineering Planning” Projects, New Delhi as Architect for our project. As per the appraisal report of IDBI and the estimates given by the architect, proposed expenditure on building (including site development) is as under:

Sr. No.	Particulars	Area (Sq. Mtr.)	Rate / Sq. Mtr.	Amount (Rs. in Lacs)
1	Main Factory Building	19,000	5,000	950.00
2	Building for power plant	2,500	5,000	125.00
3	Auxiliary Building	4,500	5,000	233.50
4	Staff/worker Accommodation with Guest House	2,000	5,000	100.00
5	Godowns	6,250	3,192	199.50
6	Miscellaneous work (Roads, Boundary wall, tube well, Water tank and Architect fees)			102.00
	Total	34,250		1710.00

Plant & Machinery

Our Company proposes to purchase Indigenous plant & machinery amounting to Rs.2,970.00 Lacs & Imported plant & machinery amounting to Rs.6,745.00 Lacs.

- The indigenous equipments of Rs.2,970 Lacs includes 14 speed frames Model LF 1660 of Laxmi Machine Works (LMW) / Zinser, 42 ring frames of LMW / Kirloskar Toyoda, besides 10 TFOs of Vijay Laxmi, 1 Cheese Winding of Paessmattler, waste collection system for Blow Room & Card/humidification system of Luwa India/Draft Air India (P) Ltd., etc.
- The indigenous equipments of Rs.6,745 Lacs includes preparatory section comprising blow room line, cards and drawframes, 3 Nos. Unilap E32 and 15 Nos. Combers E65 from Rieter, Switzerland, automatic winders from Schlafhorst, Germany / Savio, Italy and circular knitting machines from Meyer & Cie, Germany / Terrot. Our Company proposes to purchase 2 generators of 4090 KW from Man B&W, Denmark.

For further details about the Plant & Machineries, please refer section titled “Plant & Machineries” beginning on page 79 of this Red Herring Prospectus.

Miscellaneous Fixed Assets

Miscellaneous Fixed Assets have been estimated at Rs. 800 Lacs, which includes Auxiliary for DG Set (Rs.324 Lacs), 4 Compressors (Rs.41 Lacs), electrical (Rs.300 Lacs), office equipment (Rs.50 Lacs), fire protection system (Rs.30 Lacs), pipes, pumps and motors (Rs.20 Lacs), packing machines (Rs.20 Lacs) and transportation equipment (Rs.15 Lacs).

Pre-Operative Expenses

The pre-operative expenses have been estimated at Rs. 945 Lacs, which includes public issue expenses (Rs. 315 Lacs), interest during construction period for average of about 9 months (Rs.285 Lacs), upfront fee and documentation charges (Rs.65 Lacs), insurance premium (Rs.75 Lacs), Start-up & trial run expenses (Rs. 185 Lacs) and ROC Fees (Rs. 20 Lacs).

Provision for Contingency

Contingency at 5% has been provided on non-firm cost of Plant & Machinery and at about 10% on non-firm cost of land, building, miscellaneous fixed assets and preoperative expenses. This includes contingencies arising due to foreign exchange fluctuations. It may be mentioned that our Company is actively negotiating the prices of machineries and therefore the proposed contingency provision is considered adequate by our Company.



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Margin Money for Working Capital

Our Company's optimal margin money requirement for working capital for the Project is estimated at about Rs.908 Lacs based on additional requirement in FY 2008, as under:

Particulars	Month	Margin %	2007 – 2008		
			Total Requirement	Bank Finance	Margin Amount
Raw Materials	4.5	25%	1826	1369	456
Work in Progress	0.5	25%	203	152	51
Finished Goods	0.8	25%	708	531	177
Stores and Spares	3.0	25%	8	6	2
Debtors	1.0	25%	885	664	221
Total Current Assets			3631	2723	908
Less: Creditors	0.5	100%	203	203	0
Net Working Capital Required			3428	2520	908

MEANS OF FINANCE

Equity Share Capital

Our Company proposes to raise Rs. 4,900 Lacs through issue of Equity Shares, which includes Promoters' Contribution aggregating Rs. 900 Lacs and balance Rs. 4,000 Lacs through Equity Shares being issued in terms of this Red Herring Prospectus.

Internal Accruals

As appraised by IDBI, the project is proposed to be part financed by way of internal accruals to the extent of Rs.1,500 Lacs out of cash accruals during the period April 2005 – March 2007.

Unsecured Loans from Promoters

Our Promoters will induct interest free unsecured loans aggregating Rs.250 Lacs, which shall not be withdrawn during the currency of the proposed term loan for the project. This condition has been stipulated by IDBI in terms of its sanction for term loan.

Term Loan

The project is proposed to be financed by way of Rupee Term Loan aggregating Rs. 8,350 Lacs and the same has been sanctioned by the following financial institution & banks:

Sr. No.	Name of Lender	Sanction Letter No. & Date	Amount of Sanction (Rs. in Lacs)#
1	IDBI	JPBO NO.1451/CFD(NSL) – 24.05.05	3,000.00
2	Oriental Bank of Commerce	CN/80/Loan - 22-07-05	2,500.00
3	Punjab National Bank	Nil – 16.07.05	2,500.00
4	Indian Overseas Bank	Nil – 16-07-05	1,500.00
5	The Bank of Rajasthan	Adv/GNB/3637/2005 – 30.09.2005	1,500.00
	Total		11,000.00

Out of above sanctioned amount of Rs. 11,000 Lacs, our Company proposes to avail term loan aggregating to Rs. 8,350 Lacs only as envisaged in the Means of Finance.

SCHEDULE OF IMPLEMENTATION

Initially, we had envisaged the implementation schedule of the Project to begin from April 2005 onwards, and accordingly the same was also appraised by IDBI vide their Appraisal Note dated 24th May 2005. The land was acquired within the scheduled time; however, due to the fact that certain procedural formalities, which are required for use of agricultural land for industrial purposes are under process, the implementation would take some more time as envisaged. In view of this, our Company has revised the Schedule of Implementation as mentioned hereunder; however, the same may not result into overall delay in the Project:

Sr. No.	Particulars	Initial Commencement Date	Initial Completion Date	Revised Commencement Date	Revised Completion Date
1	Acquisition of Land	01 st April 2005	30 th June 2005	01 st April 2005	31 st July, 2005
2	Development of Land	01 st June 2005	30 th July 2005	01 st September 2005	31 st October 2005
3	Civil Work	01 st August, 2005	31 st Dec, 2006	01 st October, 2005	31 st December 2006
4	Ordering of Plant and Machinery & Miscellaneous Fixed Assets	01 st July, 2005	31 st March, 2006	01 st August 2005	31 st March 2006
5	Purchase of Plant & Machinery and Miscellaneous Fixed Assets.	01 st Dec. 2005	31 st Aug, 2006	01 st March, 2006	30 th November, 2006
6	Installation of Plant & Machinery	01 st Jan., 2006	30 th Nov., 2006	01 st Jan., 2006	30 th November 2006
7	Trial Run	01 st Dec., 2006	31 st March, 2007	01 st Dec., 2006	31 st March 2007
8	Commencement of Commercial Production	01 st April, 2007		01 st April 2007	

The overall cost of the proposed project and the proposed year wise break up of deployment of funds are as under:

(Rs. in Lacs)

Sr. No.	Particulars	Already Deployed till 30 th November, 2005	2005-2006		2006-2007				Total
			III Qtr.	IV Qtr.	I Qtr.	II Qtr.	III Qtr.	IV Qtr.	
1	Land	75	-	-	-	-	-	-	75
2	Building	187	69	1,064	240	140	10	-	1710
3	Plant & Machinery	308	50	1,555	3,700	3,787	315	-	9715
4	Misc. Fixed Assets	21	25	70	325	359	-	-	800
5	Pre Operative Expenses	91	74	285	207	208	40	40	945
6	Provision for Contingency	-	-	-	300	300	125	122	847
7	Margin Money for Working Capital	-	-	-	-	-	458	450	908
	Total	682	218	2,974	4,772	4,794	948	612	15,000



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Deployment of Funds in the Project

We have incurred the following expenditure on the Project till 30th November 2005. The same has been certified by M/s. R. S. Dani & Co., Chartered Accountants vide their certificate dated 05th December 2005:

Deployment of Funds	Rs. in Lacs
Land	75
Building	187
Plant & Machinery	308
Misc. Fixed Assets	21
Pre-operative and Issue Expenses	91
Balance available Funds (Pending Utilization)	218
Total	900
Sources of Funds	Rs. in Lacs
Share Application Money*	900
Total	900

*Amount has been obtained from the Company's Promoters as application money for Equity Shares to be allotted to them in the Issue pursuant to Promoter's Contribution.

Interim Use of Funds

Pending utilization in the project, the proceeds of the Issue will be utilized either for reducing the working capital limits utilization level to save interest cost or invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Mutual funds.

In case the Issue does not go as planned, we will make alternative arrangements like availing of fresh loans from banks and also internal accruals to meet the shortfall, if any.

BASIC TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, Red Herring Prospectus, 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 may be 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 to be issued shall be subject to the provisions of our Memorandum and Articles of Association and rank pari passu with the existing Equity Shares of our Company in all respects including rights in respect of dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of allotment.

Face Value and Issue Price

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at a price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders have, inter alia, the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, Listing Agreement with the Stock Exchanges and the Memorandum and Articles of our Company.

For a detailed description of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, etc., see 'Main Provisions of Articles of Association' beginning on page 208 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to the Public including devolvement of the members of the Syndicate within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act 1956.



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ISSUE STRUCTURE

The present Issue of [●] Equity Shares comprises of Equity Shares of Rs. 10 each aggregating Rs. 4,000 Lacs (excluding Promoters' Contribution aggregating Rs. 900 Lacs) is being made through the 100% Book Building process. Details of the Issue structure are tabulated below:

Particulars	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to [●] Equity Shares	Net Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum of [●] Equity Shares	Minimum of [●] Equity Shares.
Percentage of Issue Size available for allocation	Up to 6.25% of the Issue Size (excluding Promoters' Contribution)	Upto 50% of Net Issue to the Public*	Minimum 15% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.*	Minimum 35% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.*
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	300 Equity Shares and in multiples of 300 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 300 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 300 Equity Shares.	300 Equity Shares and in multiples of 300 Equity Shares.
Maximum Bid	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 25,000,000	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Indian Nationals who are permanent employees or Executive Directors of our Company based in India and are present in India on the date of submission of Bid-cum-Application Form	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investor 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. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.

Particulars	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid-cum-Application Form to the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid-cum-Application Form to the syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application Form to the syndicate
Margin Amount	Full Bid Amount on bidding	Nil	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 inter-se from any other categories, at the discretion of our Company in consultation with the BRLM and Co-BRLM subject to applicable provisions of SEBI Guidelines.

**In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

Withdrawal of the Issue

Our Company in consultation with the BRLM and Co-BRLM reserves the right not to proceed with the issue any time after the Bid/Issue opening date but before allotment without assigning any reason thereof.

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON JANUARY 06, 2006

BID/ISSUE CLOSES ON JANUARY 12, 2006

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Price Band will be decided by us in consultation with the BRLM and the Co-BRLM. The announcement on the Price Band shall also be made available on the websites of the BRLM, the Co-BRLM and at the terminals of the Syndicate.

We reserve 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%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three 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 BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM, the Co-BRLM and at the terminals of the Syndicate.

BASIS FOR ISSUE PRICE

QUALITATIVE FACTORS

Quality Standards

Our Company has always believed in the best quality in our processes and products. We have been granted IS/ISO 9001: 2000 for Quality Management System by the Bureau of Indian Standards for our manufacturing facility at 16-17 K.M. Stone, Chittor Road, Hamirgarh, Bhilwara – 311 025. We adhere to quality standards as prescribed by our customers, which has given us a brand name among our customers.

100% Export Oriented Unit

We are 100% Export Oriented Unit and presently exporting to various countries, prominent among them being Australia, USA, Germany, China, Taiwan, Russia, U.K., Philippines, Mauritius, Poland, Korea, Indonesia, Italy, Israel, Hong Kong, Bahrain, Egypt, Colombia, etc.

Strong Customer Relationship

Our Company has strong customer base in the domestic as well as global market. Over a period of time, our Company has built-up a track record for quality products and timely delivery. Our Marketing and R&D team closely interacts with the customers, understands their requirements and develops the products as per their requirements. Our Company has been able to retain customers and further strengthen the relationship by providing them end-to-end solutions for their requirements.

Capability to Manage Multiple and Large Orders

Large orders require capabilities to manage large workforce, complex sourcing, production planning and ability to ensure timely delivery to the customer. Over the years, our Company has developed the skills to manage multiple large orders concurrently. Our Company has also developed a diversified product range, which has helped us to grow.

Experienced and Qualified Management

All our individual promoters are experienced and qualified. The Chairman & Managing Director of our Company, Mr. R. L. Nolkha, is a Chartered Accountant, Company Secretary & Cost Accountant by qualification with over three decades of experience in textile industry. Mr. Dinesh Nolkha, our Managing Director, is a Chartered Accountant & Cost Accountant by qualification, whereas Mr. Nitin Nolkha, our Executive Director, is a Management Graduate. Our Company works under the supervision of experienced Board of Directors and is also supported by experienced and technically qualified execution team.

Optimum Utilization of Manufacturing Facilities

Our Company is able to utilize manufacturing facilities at an optimum level by balancing production and marketing efforts. Further, our Company has the capability to reprocess the wastes generated during the production cycle and utilize them for different kinds of products with different end uses. This helps to reduce the raw material costs and maintaining cost competitiveness.

Captive Power Plant

Power is one of the major inputs for the spinning process. Our Company is meeting entire power requirements through 3 generators, two based on furnace oil with a capacity of 3.5 MW (2.5 MW + 1 MW) and another HSD based set of 2 MW as standby arrangement. Being a 100% EOU, our Company is able to purchase furnace oil directly at landed cost without cess & taxes for captive power plant. Hence, our power cost per unit is lower by 35% to 40% against per unit cost charged by State Electricity Board. It also helps in maintaining the efficiencies of the plant to a high level since there is a consistent power supply. In the current Project, our Company also proposes to set-up a Power Plant of 8.18 MW near our existing unit located at Hamirgarh, Bhilwara, which is estimated to be sufficient for our captive power requirements in relation to our Project.

Regular Up-gradation of Technology & Benefit under Technology Up-gradation Fund Scheme (TUFS)

Our Company has been upgrading technology through the expansion projects at regular intervals within the gamut of Technology Up-gradation Fund Scheme (TUFS) introduced by Government of India and has been availing the benefit of 5% reimbursement of interest towards the cost of debt funds.

QUANTITATIVE FACTORS

1. Adjusted Earning Per Share (EPS)	Amount (Rs.)	Weights
(a) 2002-03	0.70	1
(b) 2003-04	0.79	2
(c) 2004-05	1.50	3
(d) Weighted Average (EPS)	1.13	
2. Price/ Earning Ratio (P/E) in relation to Issue Price of Rs. [●]/- per share	At the lower band of Rs. 18 per share	At the upper band of Rs. 21 per share
(a) Based on 2004-05 EPS of Rs. 1.50	12	14
(b) Industry P/E *		
(i) Highest	61.00	61.00
(ii) Lowest	4.20	4.20
(iii) Average	13.00	13.00
(* Based on Capital Market December 5 - 18, 2005)		
3. Return on Net Worth	%	Weights
(a) 2002-03	4.17%	1
(b) 2003-04	3.58%	2
(c) 2004-05	8.21%	3
(d) Weighted Average	5.99%	
4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS i.e. Rs. 1.50		
For Issue	At the lower band of Rs. 18 per share	At the higher band of Rs. 21 per share
Total Net Worth After Issue (Rs. in Lacs)	8,039.57	8,039.57
No. of Equity Shares after the Issue (in Lacs)	[●]	[●]
Profits required to get required EPS (Rs. in Lacs)	[●]	[●]
Min. Required RONW for maintaining above EPS	[●]	[●]
5. Net Asset Value (NAV) Per Share		
	At the lower band of Rs. 18 per share	At the higher band of Rs. 21 per share
a) As at March 31, 2005	17.22	17.22
b) As at September 30, 2005	18.88	18.88
c) After Issue	[●]	[●]
d) Issue Price	[●]	[●]



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Accounting Ratios of some of the Companies in the same Industry Group:

NAME OF THE COMPANY	EPS (Rs.)	P/E Ratio	RONW (%)	NAV (Rs.)
Ambika Cotton	21.00	10.30	21.60	137.20
Gangotri Textile	1.60	21.80	10.40	16.60
Ginni Filaments	0.5	17.80	2.80	20.80
GTN Textile	2.80	17.40	3.40	89.60
Indo Count Industries	1.60	12.30	6.00	28.80

(Based on Capital Market December 5 - 18, 2005)

The Face Value of our Equity Shares is Rs.10/- per share and the Issue Price is 1.8 times of the Face Value (at the lower end of the Price Band) and 2.1 times of the Face Value (at the higher end of the Price Band).

The BRLM believes that the Issue Price of Rs. [●]- per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors beginning on Page 10 of this Red Herring Prospectus and our financials as set out in the Auditor's Report beginning on page no. 123 of this Red Herring Prospectus to have a more informed view about the investment proposition. The final Issue Price shall be determined on basis on demand from investors.

The Issue Price of Rs. [●] has been determined by us in consultation with the BRLM and Co-BRLM and on the basis of assessment of market demand for the Equity Shares from the investors by way of book building and is justified on the basis of the above factors.

Broad Parameters on which Allocation is Proposed to be made to QIBs

We along with the BRLM and Co-BRLM would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing.

Proposed manner of Allocation among respective categories of Investors, in the event of under-subscription

Under-subscription, if any, in any of the categories, would be allowed to be met with spillover inter-se from any other categories, at our sole discretion in consultation with the BRLM and Co-BRLM subject to applicable provisions of SEBI Guidelines and stipulations / conditions contained in this Red Herring Prospectus. The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

STATEMENT OF TAX BENEFITS

Our Auditors, M/s. R.S. Dani & Co., Chartered Accountants have, vide their letter dated October 26, 2005 certified that under the current provisions of the Income Tax Act, 1961 and other existing laws for the time being in force, the following benefits, interalia, will be available to us and the members:

The Board of Directors
Nitin Spinners Limited
16-17 Km Stone,
Chittior Road,
Hamirgarh,
Bhilwara – 311025.

Sub.: Initial Public Offering of Nitin Spinners Ltd. – Possible tax benefits available to the company and its shareholders

Dear Sirs,

We hereby report that the enclosed “Annexure” states the possible tax benefits available to Nitin Spinners Ltd. (hereinafter referred to as “the company”) and its shareholders under the current tax laws presently in force. Several of the benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the company or its shareholders to derive tax benefits is dependent upon fulfilling conditions prescribed therein.

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

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

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

The contents of this “Annexure” are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations currently carried on by the company.

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

For **M/s R. S. Dani & Co.**
Chartered Accountants

(Ashok Mangal)
Partner
M. No. 71714

Dated : 26th October, 2005

ANNEXURE

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to M/s Nitin Spinners Limited and its shareholders.

Benefits available to the Company Under the Income Tax Act, 1961.

1. Under Section 10(34) of the Act, dividend income (whether interim or final) in the hands of the company as distributed or paid by any other Company on or after April 1, 2003 is completely exempt from tax in the hands of the Company.
2. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by section 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. Long term capital gain arising from transfer of an 'eligible Equity Share' in a Company Purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 (both days inclusive) and held for a period of 12 months or more is exempt from tax under section 10(36) of the Act.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and section 10 (38)) if such capital gain is invested in any of the long-term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
7. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units (not covered by section 10(36) and section 10(38)) shall not be chargeable to tax to the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

Benefits available to the Company being a 100% EOU.

1. Deduction under Section 10B of the Income Tax Act, 1961
In accordance with the provisions of Section 10B of the Income Tax Act, the Company, being 100% EOU w.e.f. 15-01-1999 is entitled for tax benefits for a period of ten consecutive assessment year beginning with the assessment year 1999-00 to 2008-09. The sub section (1) of 10B of the Act allows exemption upto 90% of the profits and gains as derived by the Company from the export of articles or things.
2. The Company shall be liable to pay MAT under Section 115JB of the Income Tax Act, 1961. However the benefits of deduction under Section 10B of the Income Tax Act, 1961 shall be available from the book profits of the Company.
3. Under clause 6.11 (1) of the Foreign Trade Policy 2004-09, the company being 100% EOU, is entitled for following benefits.

- i) Reimbursement of Central Sales Tax on purchase of goods manufactured in India.
 - ii) Exemption from payment of Central Excise Duty on goods procured from manufacturing unit in India.
 - iii) Reimbursement of duty paid on fuels procured from domestic oil companies as per the rate of Drawback notified by the DGFT from time to time.
4. Under Notification No. 52/2003/Cus., dated 31/03/2003 and as amended by Notification No. 1/2004/Cus, dated 02/01/2004 and No. 40/2004 Cus dated 26/02/2004, EOU 's are exempted from the payment of whole of the duty of customs livable under the first schedule to the Customs Tariff Act, 1975 (51 of 1975) and the additional duty, if any livable thereon under Section 3 of the said Customs Tariff Act, 1975.

Benefits available to Resident Shareholders under the Income Tax Act, 1961

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. Under section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1500/- per minor child.
3. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and the sale is subject to Securities Transaction tax.
5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
9. In accordance with and subject to the conditions and to the extent specified the Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units (not covered by sections 10(36) and 10(38)), to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.



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10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by sections 10 (36) and 10 (38)), upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

Benefits available to Non-Resident Indian Shareholders under the Income Tax Act, 1961

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child per year.
3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the Act, long term capital gains arising from the transfer of an Indian company's shares (not covered by sections 10(36) and 10(38)), will be subject to tax at the rate of 10% as increased by a surcharge and education cess at an appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.
4. In case of a shareholder being a non-resident Indian, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non resident Indian shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
5. In accordance with the provisions of Section 115G of the Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
6. In accordance with the provisions of Section 115H of the Act, when a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
7. As per the provisions of section 115 I of the /Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
8. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the Act, tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case.
9. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

10. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
11. As per the provisions of section 88E, where the business income of a assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
12. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
13. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
14. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
15. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
16. As per the provisions 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 the Non-Resident.

Benefits available to other Non-residents under the Income Tax Act, 1961

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1500 per minor child per year.
3. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the Act, tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.



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5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
9. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
11. As per the provisions 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 the Non Resident.

Benefits available to Foreign Institutional Investors ('FII') under the Income Tax Act, 1961

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain (not covered by sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognised stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.
2. As per the provision 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 the Non Resident.
3. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.

4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10 (36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
7. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by sections 10 (36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

Benefits available to Mutual Funds under the Income Tax Act, 1961

1. In case of a shareholder being a Mutual fund, as per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Benefits available to Venture Capital Companies /Funds under the Income Tax Act, 1961

1. In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

Benefits available under the Wealth Tax Act, 1957

1. As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

Benefits available under the Gift Tax Act

1. Gift tax is not livable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

Notes:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2005.
2. All the above benefits are as per the current tax law and will be available only to the sole / first named holder in case the shares 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. However, a shareholder is advised to consider in his / her / its own case. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

INDUSTRY OVERVIEW

Indian Textile Industry

Textile Industry is one of India's largest industries, after agriculture. It provides direct employment to about 350 Lacs people. Besides this, there are a large number of ancillary industries, which are dependent upon this sector, such as manufacturing various machines, accessories, stores, ancillary items and chemicals. Known globally for its skill and craftsmanship, the Indian textile industry is also one of the largest export earners and accounts for about 35% of the gross export earnings in trade. Trade restrictions have hitherto kept the Indian textile industry from soaring to the height it is capable of, but this is expected to change, as after January 2005 the quota and other trade restrictions are being removed.

Textiles covers the following sub-segments: -

- 1) Fibre intermediates; P-X, DMT, PTA, MEG, Caprolactum, Wood Pulp etc.,
- 2) Fibres: ginning and pressing of cotton, manufacture of PFY, NFY, Rayon fibre etc.
- 3) Synthetic fibre/filament processing viz., drawing, texturising, twisting etc.,
- 4) Yarn: spinning cotton & blends on rotors and ring frames
- 5) Weaving/Knitting
- 6) Processing and
- 7) Distribution.

Structure of the Textile Industry

The industry has a complex structure marked by presence of large-scale and small scale production units. The industry is manufacturer driven with spinning having large scale operations and the retailing as the weakest link. From growing own raw material (cotton, jute, silk and wool) to providing value added products to consumers (fabrics and garments), the textile industry covers a wide range of economic activities, and results in employment generation in both organized and unorganized sectors.

Capacity

The Indian Textile Industry has recorded a significant growth during the last decade. The spindleage increased from 33.15 million as on 31.03.97 to 34.15 million as on 30.11.04 and Rotors from 2.76 Lacs as on 31.03.97 to 3.85 Lacs as on 30.11.04.

The loomage has however, declined from 1.24 Lacs in March 1997 to 0.86 Lacs in November 2004 in the organized sector. The growth of capacity in spinning and weaving sectors of the industry since 1997-98 is below:

Growth in Capacity in the Organized Mill Sector

Year Ending	No. of Mills			Installed Capacity		
	Spg	Comp.	Total	Spindles (Mn.)	Rotors ('000)	Looms ('000)
31-03-1997	1,438	281	1,719	33.15	276	124
31-03-1998	1,504	278	1,782	33.88	313	124
31-03-1999	1,543	281	1,824	34.72	383	123
31-03-2000	1,565	285	1,850	35.10	392	123
31-03-2001	1,565	281	1,846	35.53	394	123
31-03-2002	1,579	281	1,860	35.75	409	123
31-03-2003	1,599	276	1,875	36.10	379	119
31-03-2004	1,564	223	1,787	34.02	383	88
31-03-2005	1,566	223	1,789	34.23	385	86

Source: Ministry of Textiles, annual report 2004-05

Cotton

Cotton is one of the major crops cultivated in India. It accounts for more than 75 % of the total fibre consumption in the spinning mills and 56 % of the total fibre consumption in the textile sector. The twin objectives of assuring off-take of the farmers' produce at remunerative prices and making available adequate quantity of cotton at reasonable prices to the domestic textile industry are sought to be achieved through timely announcement of the Minimum Support Price (MSP) to the farmers and through appropriate export – import intervention as and when necessary. It is the endeavour of the Government to improve the quality of cotton to that of international standards through effective implementation of the Technology Mission on Cotton (TMC).

Cotton/ Man-made Fiber Textile

Mill Industry is the single largest organized industry in the country employing nearly 10 Lacs workers. Besides this, there are a large number of ancillary industries dependent on this sector such as those manufacturing various machineries, accessories, stores, ancillary and chemicals. Even on a modest assumption that a worker's family comprises five people, the direct dependents on the organized textiles mill industry itself work out to about 50 Lacs.

Production of Spun Yarn

The production of spun yarn increased from 3160 million kgs. during 2000-01 to 3221.37 million kgs. during 2004-05. A statement showing the production of spun yarn (including SSI units) is given below:

In Mn. Kg

Year	Cotton Yarn	Blended Yarn	100% Non-Cotton Yarn	Total Yarn
2000-01	2,267	646	247	3,160
2001-02	2,212	609	280	3,101
2002-03	2,177	585	319	3,081
2003-04	2,120.71	589.33	341.76	3,051.80
2004-05 (A)	2,232.15	611.91	377.31	3,221.37

(A) - Anticipated; Source : Ministrey of Textiles Annual Report - 2004-05

Production of Cloth

The data on production of cloth in the mill sector, the handloom sector, hosiery sector and the power loom sector during the last two years and anticipated production for the current year are as follows:

Production of Fabrics In Different Sectors

(Mn. Sq. Mtrs.)

Fibre	Mill Sector			Handloom Sector			Powerloom Sector			Hosiery Sector		
	2002-03	2003-04	2004-05(A)	2002-03	2003-04	2004-05(A)	2002-03	2003-04	2004-05(A)	2002-03	2003-04	2004-05(A)
Cotton	1,019	969	932	5,098	4,519	4,499	6,761	6,370	7,488	6,422	6,182	6,636
Blended	263	253	233	118	117	105	4,695	4,688	5,184	800	1010	819
100% Non Cotton	214	212	206	764	857	689	14,498	15,889	16,131	659	655	738
Total	1,496	1,434	1,371	5,980	5,493	5,293	25,954	26,947	28,803	7,881	7,847	8,193



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Production Of Fabrics In All Sectors

(Mn. Sq. Mtrs.)

Fibre	2002-03	2003-04	2004-05 (A)
Cotton	19,300	18,040	19,555
Blended	5,876	6,068	6,341
100% Non Cotton	16,135	17,613	17,764
Total	41,311	41,721	43,660
Khadi, Wool & Silk	662	662	662
Grand Total	41,973	42,383	44,322

Textile Exports

The growth of the textile industry has a bearing on the development of the economy, especially exports. Textile products continue to play an important role in the total export basket of the country. For 2004-05 the target for the export of textiles has been fixed at USD 15,160 million, against USD13,500 million set during 2003-04.

(Value: USD in Million/Rs. In Crores)

S. No.	Sector	Target 2004-05	Apr.-Sep 2003		Apr.-Sep. 2004 over 2003		% Increase/decrease of (US \$)		% target achieved
		US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	US\$
1	Readymade Garment	6,000	11,591.5	2,491.2	12,652.1	2,779.1	9.2%	11.6%	46.3%
2	Cotton Textiles	4,200	6,604.7	1,419.5	7,568.9	1,662.5	14.6%	17.1%	39.6%
3	Man-made textiles	2,200	3,745.8	805.1	4,509.0	9900.4	20.4%	23.0%	45.0%
4	Wool & Woollen	400	725.3	155.9	1,051.5	231.0	45.0%	48.2%	57.7%
5	Silk	625	1059.6	227.7	1,269.1	278.8	19.8%	22.4%	44.6%
	Total	13,425	23,726.9	5,099.4	27,050.9	5,941.6	14.0%	16.5%	44.3%
6	Handicrafts (a+b)	1,400	2,245.1	482.5	1,945.5	427.3	-13.3%	-11.4%	30.5%
	a) Carpet	600	1122.7	241.3	1,237.8	271.9	10.3%	12.7%	45.3%
	b) Other Handicrafts	800	1122.4	241.2	707.6	155.4	-37.0%	-35.6%	19.5%
7	Coir	85	158.6	34.1	223.1	49.0	40.7%	43.8%	57.6%
8	Jute	250	539.9	116.0	568.6	124.9	5.3%	7.6%	50.0%
	Total	15,160	26,670.5	5,732.0	29,788.1	6,542.8	11.7%	14.1%	43.2%

Source : Foreign Trade Statistics of India (PC & C), DGCIS, Kolkata.

Textile exports recorded a growth of 15.3% in 2002-2003 and 6.0% in 2003- 2004. During the period April-November 2004, textile exports were USD 8348.5 million, recording a growth of 4.6% as compared to the corresponding period of previous year.

Export of Cotton Textiles including Handlooms

The export of cotton textiles comprising yarn, fabrics and made-ups (Mill made / Powerloom/ Handloom) constitute more than 2/3rd of exports of all fibres/yarns/made-ups. Cotton textiles exports recorded a growth of 9.1% in 2002-03 and 4.2% in 2003-04. During the period April-November 2004, cotton textile exports including handlooms were USD 2144.1 million, recording a growth of 5.4% as compared to the corresponding period of previous year.

Cost comparisons of various countries

Our main competitors in the textile sector include countries like China, Bangladesh, Indonesia, Sri Lanka and Pakistan. Like India, these countries too are cost-effective producers due to the advantage of lower labour costs, which account for a significant portion of the cost of converting fabrics into garments. The major markets for India have been the U.S. and the E.U.

(% of total cost)	Brazil	China	India	Italy	Korea	Turkey	USA
Packing	1%	1%	1%	0%	1%	1%	0%
Labour	5%	4%	6%	30%	20%	7%	25%
Power	6%	14%	15%	28%	10%	12%	27%
Auxiliary	13%	12%	14%	7%	14%	10%	7%
Capital	49%	49%	36%	21%	33%	37%	23%
Raw Material	26%	20%	28%	14%	22%	33%	18%
Total	100%	100%	100%	100%	100%	100%	100%
Index	52	48	56	100	52	60	87

Source: Ministry of Textiles

The biggest advantage that India has over western countries is labour, while in comparison with China, the biggest advantage India has is the capital cost. From the last row of the above table, it can be seen that the total production cost of Indian textile product is about 56% of that of Italy (i.e. 56 upon 100) and about 64% (56 upon 87) of that of the US.

Post MFA Global Environment

Till 31st December, 1994, the exports of textiles to certain developed countries (e.g. United States of America (USA); Member countries of European Union (EU), Canada) were governed by bilateral textile arrangement entered into between India and these countries under the aegis of the Multi-Fibre Arrangement (MFA), outside the rules of the General Agreement on Tariffs and Trade (GATT). With effect from 1st January, 1995, the quantitative restrictions (import quotas) in the bilateral agreements under the MFA, were taken over by the Agreement on Textiles and Clothing (ATC) contained in the Final Act of the Uruguay Round negotiations of the GATT.

As per ATC, the textile quotas were to be phased out and textile sector fully integrated into WTO by 1st January, 2005. The liberalized trading regime would result in increased international trade in textiles thus providing greater export opportunities; and at the same time expose the domestic industry to import penetration therein. The textile industry will have to improve its efficiency and productivity to meet the emerging global competition, on the export and the domestic fronts.

Implication on Indian Textile Industry

India has a very strong and diverse raw material base for manufacturing fibres/yarn from natural (i.e., cotton, wool, silk, jute) to artificial (i.e., synthetic, cellulosic and multiple blend of such fibres/yarn) raw materials. India has competitive advantage in terms of labour cost also. International Textile Manufacturers Federation (ITMF) conducted a comparative manufacturing cost study of 7 countries including India. This study has indicated that Indian industry has competitive advantage in terms of raw material cost and labour cost in manufacture of yarn and fabric. Therefore MFA phase out may not have much adverse impact on domestic textile industry.. Top textile importing countries like USA and the EU are looking towards India for meeting their import requirements. India, according to several recent studies, is going to emerge as alternative source of supply to China. India's growth in exports will be driven by value added made ups and apparel as India has comparative advantages over its competitors in relation to (i) availability of relatively inexpensive and skilled workforce; (ii) design expertise; (iii) large production base of basic raw material like home grown cotton, yarns and fabrics; and (iv) availability of wide range of textiles.

According to a recent study by CRISIL (commissioned by ICMF), the Indian textiles and apparel industry can achieve a potential size of USD 85 billion by 2010, of which, the domestic market potential would be USD 45 billion and export potential would be USD 40 billion. Nearly 60% of exports would comprise garments. This would create 12 million job opportunities, comprising of 5 million direct jobs in textile industry, and 7 million jobs in allied sectors.

Initiatives in the Recent Past to Grant Impetus to the Textile Industry

- (i) **Announcements in the Union Budget 2005-06:** To strengthen domestic textile industry for meeting the growing global competition, the following important announcements have been made in the Union Budget 2005-06:
- The allocation to TUFS has been enhanced to Rs. 43500 Lacs, along with an additional capital subsidy of 10% for the processing sector; 30 items of textiles products and hosiery have been identified for dereservation from items reserved for Small Scale Industry;
 - Creation of a Special Purpose Vehicle (SPV) for improving infrastructure in manufacturing with an investment of Rs. 10,000 Crores; Excise Duty on Polyester Filament Yarn (PFY) and Polyester Texturised Yarn (PTY) reduced from 24% to 16%;
 - Optional CENVAT Scheme has been extended to stand alone Texturising Units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
 - Peak customs duty rates reduced from 20% to 15%; and
 - Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is being continued.
- (ii) **Announcement of National Textile Policy:** One of the main objectives of the National 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 USD 50 billion by 2010 of which the share of garments will be USD 25 billion.
- (iii) **Technology Upgradation Fund Scheme:** In view of the urgent need for stepping up the process of modernization and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the textile and jute industry for a five year time frame from 01.04.1999 to 31.03.2004. The scheme has since been extended till 31.03.2007. The scheme provides 5% interest reimbursement in respect of loans availed there under from the concerned financial institutions for investments in benchmarked technology for the sectors of the Indian textile industry specified there under. An additional option has been given to powerloom units for 20% capital subsidy under Credit Linked Capital Subsidy (CLCS-TUFS) upto a cost of Rs. 100 Lacs in eligible machinery with facility to obtain credit from a credit network that includes all co-operative banks and other genuine non banking financial companies (NBFC) recognized by the Reserve Bank of India.
- (iv) **Liberalization of FDI Policy:** Government of India has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector.
- (v) **Export Promotion Capital Goods (EPCG) Scheme:** The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy as announced on August 31, 2004.
- (vi) **Advance Licensing Scheme:** With a view to facilitating exports and to access duty free inputs under the scheme, standard input-output norms for about 300 textile and clothing export products have been prescribed and this scheme remains operation.
- (vii) **Duty Exemption Pass Book (DEPB) Scheme:** DEPB credit rates have been prescribed for 83 textile and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized. The DEPB credit rates were reduced by 45% across the board on all textile items on 23.09.2004. While addressing the concerns of certain segments of the trade, the DEPB credit rates were again revised on 30.12.2004 by announcing changes to the extent of 60% reduction in respect of cotton textile items, 30% reduction in blended textile and woollen items and 22.5% reduction in man-made textile and silk items in place of the 45% reduction effected earlier.
- (viii) **Duty Drawback Scheme:** The exporters are allowed refund of the excise and import duty suffered on inputs of the export products under this Scheme. The Department of Revenue announced revision in All Industry Rates of Duty Drawback (AIR of DBK) on 18.01.2005 and the changes made effective from 19.01.2005. There has been substantial reduction in AIR of DBK in almost all textile export products except certain items of silk and wool sectors. In the revised Drawback Schedule, 165 new entries of textile products have been created in addition to earlier 101 entries. The revised rates have been prescribed on the basis of weight of the export product instead of earlier system based on FOB value of the product. Besides, in respect of apparel items, the drawback rates have also been given on the basis of composition of textiles.

OUR BUSINESS

Our Company is currently engaged in manufacture of combed and carded cotton yarns ranging from Ne 4 to Ne 40 in single and multifold and knitted fabrics. These yarns are suitable for applications such as apparels, undergarments, Terry Towels, Denims, Medical Fabrics, Furnishing Fabrics and Industrial Fabrics. Further, as part of vertical integration, our Company has installed Knitting Machines. Our Company has the capacity to knit single Jersey, Rib and interlock fabric and other possible structures. Knitting is the cheapest and fastest process of converting yarn into fabric. The knitted fabrics produced by our Company are used for made Ups in apparel and garment industry.

Our Company has installed plant & machineries imported from Textile Machinery Manufacturers like Rieter (Switzerland), Savio (Italy), Mayer & Cie (Germany), Schlafhorst (Germany), Truetzschler (Germany) and Elitex (Czechoslovakia). We have also installed plant & machineries purchased from Laxmi Machine Works, Kirloskar Toyoda Textile Machine & Zinser Textile System.

Our Company has at present an installed capacity of 27,216 spindles and 1,872 rotors for cotton yarn with a manufacturing capacity of 10,000 TPA and 15 knitting machines for knitted fabrics with a manufacturing capacity of 2,000 TPA. We have continuously expanded and modernized our facilities in line with the industry trend, which has also been supported by term loans from Financial Institutions and Banks under Technology Upgradation Funds Scheme (TUFS) introduced by Government of India.

Our Company also has a Captive Power Plant of 3.5 MW based on Furnace Oil along with standby arrangements for electricity. Being a 100% EOU, our Company is able to purchase furnace oil directly at landed cost without Cess & Taxes for captive power plant. Hence, our power cost per unit is lower by 35% to 40% against per unit cost charged by State Electricity Board.

Our Company is exporting cotton yarns and knitted fabrics to countries like Australia, Bahrain, China, Colombia, Egypt, Israel, Italy, Korea, Mauritius, Russia, Poland, U.K., U.S.A. and others. We supply to customers, who are in fields like apparel and garment industry, industrial fabrics, furnishing fabrics, towels, Denims etc. At present, our exports are restricted to around 18-20 countries only, which leaves more scope for our Company to develop new markets and to increase our presence accordingly. Further, with the phasing out of quota restrictions, our Company is expecting to achieve high growth rate in the global markets in the coming years.

To cope with the continuous growing demand in the overseas and domestic markets and to attain economies of scale, our Company proposes further expansion of manufacturing capacity by adding 50,400 spindles for cotton yarn production and 12 knitting machines for knitted fabric production. Our Company also proposes to set-up a Power Plant of 8.18 MW near our existing unit located at Hamirgarh, Bhilwara, which is estimated to be sufficient for our captive power requirements in relation to our Project.

BRIEF DETAILS ABOUT THE PROJECT:

Location

Our Project is being set-up near our existing plant at Hamirgarh, Bhilwara (Rajasthan) in the periphery of RIICO Industrial Area, Kanya Khedi. Our Company has acquired agricultural land admeasuring approximately 76,359 Sq. Mtrs. (approximately 19 acres) at Kanya Khedi and Hamirgarh. Our Company has also applied for conversion of agricultural land admeasuring approximately 60,472 Sq. Mtrs. into industrial land. For further details about the acquired land, please refer section titled "Property" appearing on page 93 of this Red Herring Prospectus.

Plant & Machineries

We have obtained quotations for Plant & Machineries from various suppliers both in domestic as well as international market. In certain cases, there is a difference between the prices and the quantity as per quotations and as appraised by IDBI. We propose to negotiate with the suppliers for the final price and expect to get the Plant & Machineries at the appraised cost. However, in case of any cost overrun, our promoters will mobilize the required amount to meet the deficiency, if any.



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As per the appraisal note of IDBI, the cost of Plant & Machineries for the project is aggregating to Rs. 9,715 Lacs, details of which are mentioned hereunder:

A. Indigenous Machineries

Rs. in Lacs					
Sr. No.	Particulars	Name of Supplier / Manufacturer	Nos.	Unit Price	Estimated Total Price
1	Ring Frame				
	i) Ring Frame 1200 Spdls. RXI 240 "e" with SKF(India) PK 2025 Drafting System and necessary accessories	Laxmi Machine Works / Kirloskar Toyoda Textile Machinery Pvt. Ltd.	42	26.80	1,125.60
	(ii) Travelling Cleaner & Waste Collection System	Elgi Jacobi / Luva India	42	1.10	46.20
	(iii) Spindle Monitoring System - Ring Eye	Premier Polytronics Ltd.	42	1.10	46.20
					1,218.00
2	Speed Frame				
	1. Speed Frame Model LF 1660 120 Spindles	Zinser / Laxmi Machine Works	14	28.70	401.80
	2. Travelling Cleaner for Speed Frame	Elgi Jacobi / Luva India	14	1.10	15.40
					417.20
3	Waste Collection System for Blow Room & Card	Luva India / Draft Air India (P) Ltd.			100.00
4	Spinning Accessories (Card cans, Speed Frame & Ring Frame Bobbins etc.)	Misc.			200.00
5	Humidification Plant alongwith Computerized Control System, Supply Air Duct; Insulation etc.	Luva India / Draft Air India (P) Ltd.			265.00
6	Two For One Twisters	Vijay Laxmi	10	16.75	167.50
7	Cheese Winding	Paessmattler	1	11.50	11.50
8	Laboratory Equipments	Misc.			16.00
	Grand Total				2,395.20
	Add: 24% for sales Tax, Erection, Freight and other charges				574.80
	TOTAL (A)				2,970.00

B. Imported Machineries

Sr. No.	Particulars	Name of Supplier/ Manufacturer	Nos.	Unit Price	Total Price	Currency	Conversion Cost (Rs.)	Estimated Total Cost (Rs. in Lacs)
1	Blow Room & Cards							
I)	Unifloc A-11	Rieter	1	141,844.50	141,844.50	CHF		
II)	UNImix B70	Rieter	2	86,266.80	172,533.60	CHF		
iii)	UNIflex B60	Rieter	3	76,023.00	228,069.00	CHF		
iv)	Card C 60	Rieter	16	118,028.70	1,888,459.20	CHF		
v)	Feed Chute to cards C 60	Rieter	16	24,138.00	386,208.00	CHF		
vi)	Pneumatic Fibre Conveyance	Rieter	1	110,134.80	110,134.80	CHF		
vii)	Electric Control Supplement for Blow Room & Card	Rieter	1	55,609.20	55,609.20	CHF		
viii)	Waste Opener B 25	Rieter	1	55,471.50	55,471.50	CHF		
ix)	Uni Clean B 11	Rieter	1	67,467.60	67,467.60	CHF		
x)	Various Accessories for Blow Room	Rieter	1	6,910.20	6,910.20	CHF		
xi)	Can coiler CBA 4	Rieter	16	15,521.40	248,342.40	CHF		
xii)	Various Accessories for Card	Rieter	1	75,992.40	75,992.40	CHF		
xiii)	Condenser A 21	Rieter	3	13,675.50	41,026.50	CHF		
					3,478,068.90		36.00	1,252.10
2	Drawframe Unilap & Combers							
I)	Drawframe SB2	Rieter	3	55,964.70	167,894.10	CHF		
ii)	UNIlap E 32	Rieter	3	150,307.20	450,921.60	CHF		
iii)	Comber E 65	Rieter	15	160,934.40	2,414,016.00	CHF		
iv)	Various Accessories for combing	Rieter	1	115,449.30	115,449.30			
v)	Drawframe RSB-D 35	Rieter	7	72,463.50	507,244.50	CHF		
vi)	Various Accessories for draw frame	Rieter	1	1,768.50	1,768.50			
vii)	Various Accessories for Diverse	Rieter	1	24,768.90	24,768.90	CHF		
					3,682,062.90		36.00	1,325.54
3	Automatic Winders							
	Automatic Winder Model with foreign fibre detection Clearer	Schlafhorst	16	199,755.00	3,196,080.00	EURO	57.00	1,821.77
4	Circular Knitting M/Cs							
I	Interlock M/cs	Meyer & Cie	6	75,906.00	455,436.00	EURO	57.00	259.60
ii)	Single Jersey Knitting M/c	Meyer & Cie	6	60,687.00	364,122.00	EURO	57.00	207.55
5	Loptex / Vision Shild	Sonic	1	108,000.00	108,000.00	EURO	57.00	61.56
6	D.G. Set 4090 kw	Man B & W	2	8,082,000.00	16,164,000.00	DKK	7.20	1,163.81
7	Yarn Conditioning Plant	Xorela	1	114,300.00	114,300.00	CHF	36.00	41.15
		Luva Uster	1	197,800.00	197,800.00	CHF	36.00	71.21
8	Lab Equipment							
	AFIS	Uster	1	190,620.00	190,620.00	CHF	36.00	68.62
	Grand Total							6,272.91
	Add 7.5% for clearing, forwarding, Duty, Transportation, Installation etc.							472.09
	TOTAL (B)							6,745.00



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Further, we have placed orders for the following Plant & Machineries.

A. Indigenous Machineries

Rs. in Lacs

Sr. No.	Particulars	Appraised Cost				Actual Cost			
		Name of Supplier / Manufacturer	Nos.	Unit Price	Estimated Total Price	Name of Supplier / Manufacturer	Nos.	Unit Price	Estimated Total Price
1	Ring Frame Ring Frame 1200 Spdls RXI 240 "e" with SKF(India) PK 2025 Drafting System and necessary accessories	Laxmi Machine Works/ Kirloskar Toyoda Textile Machinery Pvt. Ltd.	42	26.80	1,125.60	Kirloskar Toyoda Textile Machinery Pvt. Ltd.	42	34.57	1451.94
					1,125.60				1451.94
2	Speed Frame Speed Frame Model LF 1660 120 Spindles	Zinser / Laxmi Machine Works	14	28.70	401.80	Zinser	11	35.21	387.31
					401.80				387.31
	Grand Total				1,527.40				1839.25

Note: The orders for machinery 1 & 2 were placed on 31.08.05 & 13.09.05. The expected delivery period is June 2006 to September 2006 for machinery 2 and June 2006 to October 2006 for machinery 1.

B. Imported Machineries

Sr. No.	Particulars	Appraised Cost							Actual Order	
		Name of Supplier/ Manufacturer	Nos.	Unit Price	Total Price	Currency	Conversion Cost (Rs.)	Estimated Total Cost (Rs. in lacs)	Nos.	Estimated Total Cost (in CHF)
1	Blow Room & Cards									
i)	Unifloc A-11	Rieter	1	141,844.50	141,844.50	CHF			1	122,000
ii)	UNImix B70	Rieter	2	86,266.80	172,533.60	CHF			2	150,000
iii)	UNIflex B60	Rieter	3	76,023.00	228,069.00	CHF			2	127,000
iv)	Card C 60	Rieter	16	118,028.70	1,888,459.20	CHF			16	1,584,000
v)	Feed Chute to cards C 60	Rieter	16	24,138.00	386,208.00	CHF			16	336,000
vi)	Pneumatic Fibre Conveyance	Rieter	1	110,134.80	110,134.80	CHF			1	92,000
vii)	Electric Control Supplement for Blow Room & Card	Rieter	1	55,609.20	55,609.20	CHF			1	45,000
viii)	Waste Opener B 25	Rieter	1	55,471.50	55,471.50	CHF			1	74,000
ix)	Uni Clean B 11	Rieter	1	67,467.60	67,467.60	CHF			1	58,000
x)	Various Accessories for Blow Room	Rieter	1	6,910.20	6,910.20	CHF			1	6,000
xi)	Can coiler CBA 4	Rieter	16	15,521.40	248,342.40	CHF			16	216,000
xii)	Various Accessories for Card	Rieter	1	75,992.40	75,992.40	CHF			1	45,000
xiii)	Condenser A 21	Rieter	3	13,675.50	41,026.50	CHF			2	23,000
					3,478,068.90		36.00	1,252.10		

Sr. No.	Particulars	Appraised Cost							Actual Order	
		Name of Supplier/ Manufacturer	Nos.	Unit Price	Total Price	Currency	Conversion Cost (Rs.)	Estimated Total Cost (Rs. in lacs)	Nos.	Estimated Total Cost (in CHF)
2	Drawframe Unilap & Combers									
i)	Drawframe SB2	Rieter	3	55,964.70	167,894.10	CHF			3	150,000
ii)	UNilap E 32	Rieter	3	150,307.20	450,921.60	CHF			3	420,000
iii)	Comber E 65	Rieter	15	160,934.40	2,414,016.00	CHF			16	2,240,000
iv)	Various Accessories for combing	Rieter	1	115,449.30	115,449.30				2	98,000
v)	Drawframe RSB-D 35	Rieter	7	72,463.50	507,244.50	CHF			7	455,000
vi)	Various Accessories for draw frame	Rieter	1	1,768.50	1,768.50				1	2,000
vii)	Various Accessories for Diverse	Rieter	1	24,768.90	24,768.90	CHF			1	13,875
					3,682,062.90		36.00	1,325.54		
	Total				7,160,131.80		36.00	2577.65		6,256,875.00

Note: The orders for above imported machinery were placed on 22.09.05. The expected delivery period is April 2006 to July 2006.

Our Company has not bought or does not propose to buy any second hand Plant & Machineries for the existing project.

Technology

Our Company has been using proven technology for manufacturing Cotton Yarns & Knitted Fabrics, which we propose to continue in future also. We propose to import Blow Room & Cards, Drawframe Unilap & Combers from Rieter, Switzerland; Automatic Winders from Schlafhorst, Germany / Savio Italy; Interlock & Single Jersey Knitting Machines from Meyer & Cie / Terrot Germany, Lab Equipments from Uster, Switzerland and Two D.G. Sets of 4090 KW are being imported from Man B & W.

We propose to purchase Speed Frame from Laxmi Machine Works/ Zinser Textile System, Ring Frame from Laxmi Machine Works / Kirloskar Toyoda Textiles machines; Waste Collection System for Blow Room & Card, Humidification Plant alongwith Computerized Control System, Supply Air Duct; Insulation etc. are being purchased from Luva India/ Draft Air India, and Two For One Twisters (TFOs) are being purchased from Vijay Laxmi.

Process

Our Company manufactures cotton yarns and knitted fabrics, manufacturing processes of which are described hereunder:

For Ring Spinning

The manufacturing process of ring spun cotton yarn comprises of cotton testing, cleaning of cotton (blow room stage) elimination of short fibres & impurities (carding and combing), parallelization of fibres (draw frames and roving), spinning (ring frames) and post spinning operations (winding, doubling, etc.).

Cotton Testing

Cotton, which is the raw material for manufacturing cotton yarn, undergoes strict quality tests in Quality Control Laboratory (QC Lab) for fiber length, fineness, strength, maturity, Rigidity, fiber friction and structural features. Once it passes the tests it becomes ready for further processing.

Cleaning of Cotton

Blow Room

Cotton enters the first stage of yarn formation where it is blended to form a uniform mass by Reiter's blow room technology, which gently handles the material with a combination of high level cleaning and production rate.



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Contamination Control System

After the Blow Room and before sending the cotton for Carding, contamination in the cotton is removed by skilled workers, who clean and inspect the cotton with the help of Contamination Control System.

Elimination of Short Fibers & Impurities

Carding

Blow Room provides uniform feeding to carding machines. The Picker Lap undergoes carding to remove short fiber and eliminates impurities and dust to provide additional orientation and alignment of individual fibers. The Carded Lap is removed by Doffer Cylinder in the form of Sliver, which undergoes additional blending to improve uniformity and density, which is carried out by Carding Machines.

Breaker Draw Frame

Carded slivers are drafted and doubled by drafting rollers for better fibre parallelization and sliver uniformity.

Lap Former

In lap forming process slivers are converted into laps by pressing the doubling of slivers uniformly and material is rolled on a lap. This is intermediate process, which produce feed material for the comber.

Comber

After Carding Process, cotton sliver in homogenous form reaches for Combing Process. Under Combing Process, uniform laps are prepared by Unilap for combing to take place. Combers further straighten the cotton fibers and enhance qualities of evenness, strength, smoothness and visual appearance. In this process, short fibers are removed for better yarn strength and evenness.

Parallelization of Fibres

Finisher Drawframe & Autolevelling

After combing of the cotton sliver, it becomes ready for Drawing Process, which improves the quality, evenness and homogenization of fibres. The cotton sliver is made ready for being processed into yarn. The sliver goes through drafting Rollers and is systematically drawn for better evenness.

Speed Frame

Here the sliver is drawn into strands called roving. In this process both drafting and twisting takes place.

Spinning

Ring Frame

Subsequent drawing and high speed twisting of roving bobbins is carried out on Ring Frames until the required fineness is achieved. Now, Cotton Yarn becomes ready for winding.

Post Spinning Operations

Auto Winder

Autowinder wind the yarn in a form suitable for storage, transportation and further processing, Extraction of all disturbing yarn faults is carried out by Autowinder.

Cheese Winding

In cheese winding process, two yarns are parallel winded in cheese. These cheeses are feeded to Two for One (T.F.O.) Machine, which produces double yarn by twisting two yarns together.

T.F.O.

After winding of yarns, if required as per customers' specifications, yarn is doubled through Twisting Machines.

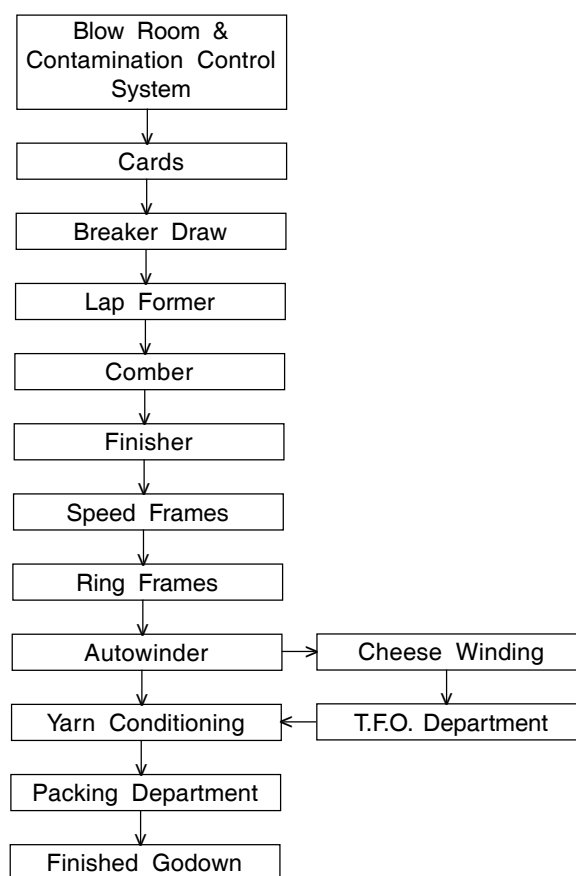
Yarn Conditioning Department

The aim of conditioning is to provide lasting improvement in yarn quality by supplying the necessary moisture in a short time. Conditioning enhances twist stability and consistency in yarn properties.

Packing

Each individual cone of yarn undergoes Ultra Violet (UV) Rays check. Yarn is then packaged in poly-bags and put into cartons or packaged as pallet as per the request of the customer.

Process Flow Chart for Ring Spinning





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For Open End Spinning

The manufacturing process of Open End Cotton Yarn comprises cotton testing, cleaning of cotton (blow room stage) elimination of short fibres & impurities (carding and combing), parallelization of fibres (draw frames, spinning (Open End).

Cotton Testing

Cotton, which is the raw material for manufacturing cotton yarn, undergoes strict quality tests in Quality Control Laboratory (QC Lab) for fiber length, fineness, strength, maturity, Rigidity, fiber friction and structural features. Once it passes the tests it becomes ready for further processing.

Cleaning of Cotton

Blow Room

Cotton enters the first stage of yarn formation where it is blended to form a uniform mass by Reiter's blow room technology, which gently handles the material with a combination of high level cleaning and production rate.

Elimination of Short Fibres & Impurities

Carding

Blow Room provides uniform feeding to carding machines. The Picker Lap undergoes carding to remove short fiber and eliminates impurities and dust to provide additional orientation and alignment of individual fibers. The Carded Lap is removed by Doffer Cylinder in the form of Sliver, which undergoes additional blending to improve uniformity and density, which is carried out by Carding Machines.

Drawframe

After combing of the cotton sliver, it becomes ready for Drawing Process, which improves the quality, evenness and homogenization of fibres. The cotton sliver is made ready for being processed into yarn. The sliver goes through drafting Rollers and is systematically drawn for better evenness.

Open End Machine

Open end machine convert sliver into yarn by importing drafting & twisting together. Its production rate is 5 to 7 times higher compared to ring frame. Open End Yarns are very bulky and uniform.

Post Spinning Operations

Cheese Winding

In cheese winding process, two yarns are parallel winded in cheese. These cheese are feed to TFO, which produces double yarn by twisting two yarn together.

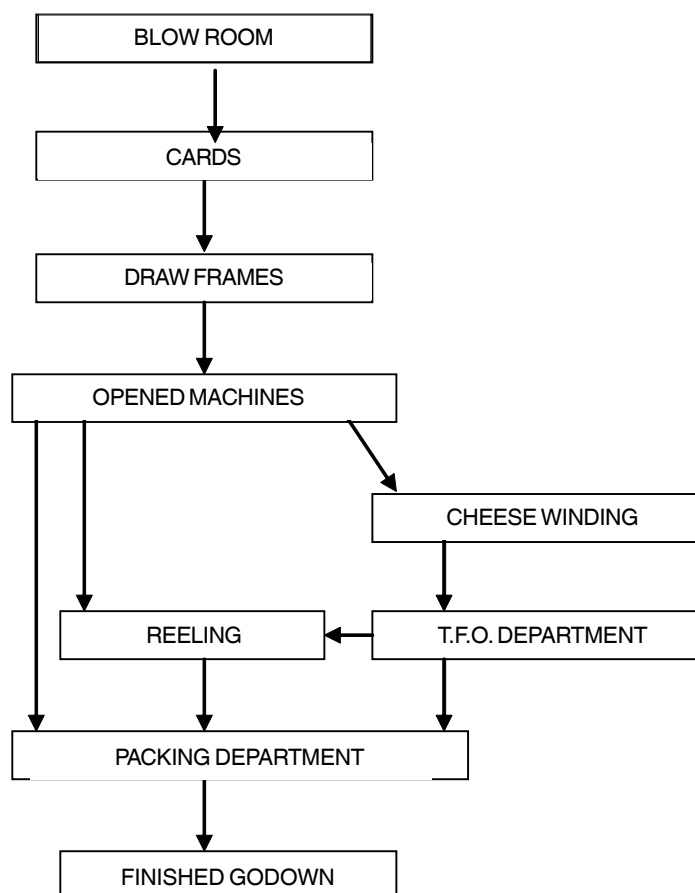
T.F.O.

After winding of yarns, if required as per customers' specifications, yarn is doubled through Twisting Machines.

Packing

Each individual cone of yarn undergoes Ultra Violet (UV) Rays check. Yarn is then packaged in poly-bags and put into cartons or packaged as pallet as per the request of the customer.

Process Flow Chart for Open End Spinning Plant



For Knitted Fabrics:

Manufacturing process of knitted fabrics is as under:

Yarn Conditioning

The Cotton Yarns are conditioned in high temperature through high-pressure vessels at 60 degree centigrade for achieving optimum moisture for smooth and efficient operation in the knitting department. The Cotton Yarns are also checked & tested at this stage for their quality levels.

Yarn Creeling

Countwise package as per requirement are creeled on Knitting Machine as per number of feeder or fabric structures with the help of compressed air suction devices.

Knitting

Circular Knitting Machines are having specified needles and feeders for different structures of fabric. As per requirement of loop length and Grams per square meter of fabric loop formation is prepared with the help of needles and circulation of Dial gauge of machine is initiated



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Removal of Fabric Rolls

Machine having a counter system based on revolution for required roll weight. After completion of the given counter; fabric rolls are removed from the machine. Normally, weight of a fabric roll is around 20 to 25 Kg.

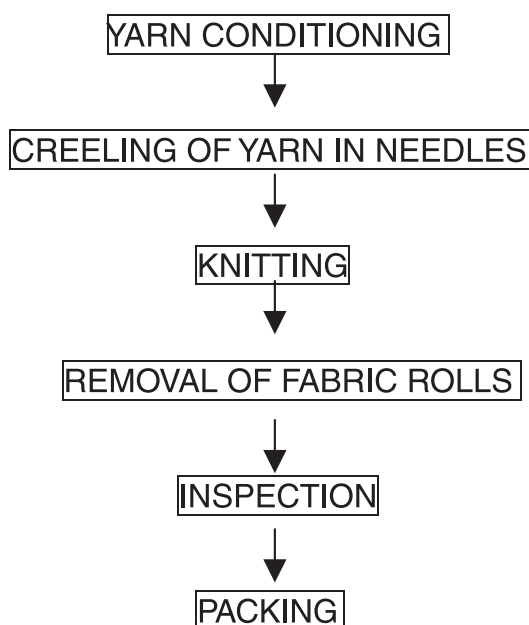
Inspection

After removing the fabric rolls from machine, the fabric is passed through surrounded lights inspection table to check faults therein.

Packing

After proper inspection fabric rolls are packed into polythene bags to avoid any damage and pasted with a tag with proper weight indication and total information about fabric constructions.

Process Flow Chart for Knitting



Collaborations

Except availing financial assistance from banks and others, our Company has not entered into any technical or financial agreement.

Infrastructure facilities:

Raw Materials:

The key raw material for manufacturing Cotton Yarn is Cotton, which is procured predominantly from domestic market and some times from the international market, depending upon the customers' specifications. Our Company normally procures cotton from surrounding areas viz., Bhilwara, Bijaynagar, Asind and other adjoining areas like Nagaur, Merta City, Sumerpur and Beawar within Rajasthan state itself. Further, we also procure cotton from states like Punjab, Haryana, Maharashtra, Gujarat and Madhya Pradesh. Speciality cottons of long staple fibers are imported from international market. Our Company keeps adequate stock of cotton to cover the existing order book position, which mitigates any adverse effect due to price fluctuation.

The key raw material for manufacturing knitted fabrics is cotton yarn, which is one of our finished products also. The required quantity of cotton yarn is transferred from our own warehouse as part of forward integration process.

Utilities:**Power**

Our existing power requirements for manufacturing facilities are catered from captive power plant. Presently, we are having 3 generators; two are based on furnace oil with a capacity of 3.5 MW (2.5 MW + 1 MW) and another High Speed Diesel based of 2 MW as standby arrangement. Our existing power consumption is about 74,400 units per day at an average cost of about Rs. 2.60./unit. Presently, our Company has a storage capacity of 4-Lacs KL furnace oil and 1 Lacs KL for HSD.

To meet power requirement of our Project, we are purchasing 2 more generators of 8.18 MW (4.09 MW each) as an integral part of total project. The proposed generators would also run simultaneously with existing furnace oil generator set to cater to the increased requirement of power estimated at about 100,000 units/day. Due to increase in the cost of furnace oil, the average cost of power is estimated at Rs. 3/unit. Our storage capacity is proposed to increase to 10 Lacs KL for furnace oil and 2 Lacs KL for HSD, which shall be sufficient to cater to our increased power requirements.

Being a 100% EOU, our Company is able to purchase furnace oil directly at landed cost without cess & taxes for captive power plant. Hence, our power cost per unit is lower by 35% to 40% against per unit cost charged by State Electricity Board.

Water

There is no requirement of water for production. Water is being used for general purposes and water requirement is met from 3 borewells within our manufacturing unit. One tubewell is proposed under the Project. Our manufacturing unit is located near Banas river and water is readily available in the industrial area and we do not see any problem on this account.

Compressed Air

Our existing requirement of compressed air for humidification and generators is about 1000 CFM, whereas our present generation capacity is of 1150 CFM. For the Project, our Company proposes to purchase 4 additional compressors having a generation capacity of 1500 CFM.

Steam

Steam is used for cotton yarn conditioning. The existing plant has a steam requirement of 400 kg/hour and would require additional steam of 300 kg/hour for the proposed project. Waste recovery plant attached to DG sets can generate steam upto 900 kg/hour, which is considered adequate to take care of future steam requirements.

Fuel

The requirement of furnace oil for existing unit is about 18,500 litres a day, which will further increase by 25,000 litres per day. Furnace oil is being purchased directly from public sector oil companies. Generally, HSD is being imported.

Pollution Control

Our Company is engaged only in yarn manufacturing and knitting which does not generate harmful effluents. We use dyes only for sampling purposes, which does not call for installation of Effluent Treatment Plant (ETP).

Manpower

The manufacturing process requires an appropriate mix of skilled, semi-skilled and Un-skilled labour, which is available in abundance in Bhilwara, being the textile hub of Rajasthan. At present, we have about 877 employees, which includes managerial & supervisory staff and skilled, semi-skilled & unskilled employees, Further, the additional manpower requirements for the Project is about 820 employees, which includes managerial & supervisory staff and skilled, semi-skilled & unskilled employees.

We will be recruiting the additional manpower as listed above in due course for which we do not envisage any difficulty as the same is available in and around our plant location, being a developed textile hub.



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OUR PRODUCTS

Our Company is engaged into production of cotton yarns and knitted fabrics. Cotton Yarns are usually used by various manufacturers for the following end uses:

- Knitted fabrics
- Woven fabrics
- Industrial fabrics
- Denims
- Furnishings
- Terry Towels
- Carpets

Knitted fabrics are usually used by various manufacturers in Apparel & Garment Industry.

Past Production Figures for the Industry

The Textile Industry is highly fragmented and is dominated by large number of unorganized players. There are no published data available to our Company for past production figures, existing installed capacity, past trends and future prospects regarding exports, demand & supply forecasts.

COMPETITION

Our Company is manufacturer of cotton yarns and knitted fabrics, which is an unorganized segment of Indian Textile Industry. Textile being a global industry, we face competition from various domestic and international manufacturers of cotton yarns and knitted fabrics. However, being a 100% EOU and due to economies of scale, we have edge over other small & medium size manufacturers in the country. Globally, we face stiff competition from large size manufacturers in Indonesia, Korea, Pakistan, Bangladesh, etc. However, due to our quality commitment and timely delivery, we are in the market for more than a decade and have grown inspite of strong competition.

APPROACH TO MARKETING & PROPOSED MARKETING SETUP

We have set-up a separate full-fledged marketing department to procure orders and contracts. The marketing department is headed by Mr. Umesh Toshniwal, Manager (Sales) and is supported by other staffs, which functions under direct supervision of Managing Director, Mr. Dinesh Nolkha.

Our marketing strategy is based on the products type and the end user segment. We adopt hybrid marketing module comprising of direct customers approach and existing agents network. We have appointed various agents in domestic as well as international market to obtain regular orders. Our Company is also in regular interaction with garment and apparels manufacturers for their requirement of fabrics for domestic and international markets.

At present, Cotton Yarn and fabrics is exported to nearly 80 countries from India, whereas our Company has explored potentials only in about 20 countries. After the Project, our Company proposes to increase depth of our marketing network and to explore more international markets for the increased production.

EXPORT POSSIBILITIES AND EXPORT OBLIGATIONS

Our Company is a 100% Export Oriented Unit since 1999 and has been exporting products for the last 10 years to various countries in all the six continents. Since our Company is a 100% EOU, we are required to have positive foreign exchange earnings. Further, as part of export obligations, we are allowed to sell maximum upto 50% of our total direct exports (excluding deemed exports) in the domestic market. As our Company is going for expansion wherein capital goods will be imported and which would result into foreign exchange outgo, therefore, during this period our export obligations would depend upon the total value of capital goods being imported to nullify the effect of foreign exchange outgo. Further, as on 30th June 2005, there is no pending Export Obligation.

BUSINESS STRATEGY

In last two decades, the Multi Fibre Agreement (MFA) governed international trade in textile in clothing. Post January 2005, the Agreement on Textiles and Clothing to abolish MFA quotas marked a significant turn around in textile trade. In this backdrop, Indian Textile companies have a place to occupy in the global trade. The removal of quota has opened up

new avenues and opportunities for further growth. Our Company proposes the following strategies for future growth:

Continue to build-up a professional organization

We have a team of professionals and technocrats to look after various stages of production, commercial and marketing divisions of our Company. We believe in transparency, flow of information, commitment to the work among our work force and with our valuable customers, suppliers, investors, government authorities, banks, financial institutions etc. Over a period of time, we have been able to build an image that can be matched with our peers. The philosophy of professionalism is foundation stone of our business strategy and we wish to make it more sound and strong in times to come.

Enhancing Customer Base

Our Company intends to grow business continuously by adding new customers both in existing as well as in the new countries. We aim to do this by effective leveraging of our marketing skills & relationship and further enhancing customer satisfaction.

Improving Product Portfolio and Addition of New Products

Our Company intends to extend existing range of yarn and fabrics to include a wider range of products by manufacturing finer count yarns and different structures and qualities of fabrics. The customers will be benefited by procuring various products from one supplier and our Company will be able to sell variety of products to our valued customers. Our multi-product portfolio also allows us to sustain the cost of high level of services we aim to give to our customers.

Quality Products

Our Company intends to produce among the best quality yarns and knitted fabrics which are acceptable worldwide. For that, our Company shall be deploying better technologies in Production as well as R&D Departments.

Maintain Operational Efficiencies and Cost Competitiveness

Our Company intends to maintain operational efficiencies to levels comparable with our peers in the industry. Further, we intend to reduce our operational costs to maintain competitiveness and offer the quality products at reasonable prices.

Expansion of the Existing Capacities

The Project is a part of our business strategy to expand the production capacities of cotton yarn and fabrics manufacturing to meet the increasing demand from customers. We also aim to widen the existing products range, which will enable us to meet the growing demands of the existing market segments.

FUTURE PROSPECTS

The future prospects of our Company are better considering the expected industrial growth of 8% in the Textile Industry in the country due to abolition of quota system. This growth rate requires matching capacity addition in the basic raw-material of textile i.e. cotton yarn for meeting the increased requirement of the textile industry domestically. Our Company has been expanding production base by undertaking periodical expansion to become a sizeable player in the cotton yarn spinning industry. Our manufacturing facilities are presently running at optimum capacity, but we are producing only coarse and medium count of cotton yarns, whereas there is enough demand for fine counts of cotton yarns from our existing customers as well as in the global market. This demand for fine counts of cotton yarn has triggered setting-up of the Project. We believe that after the Project, we would be able to cater the demand for fine counts of cotton yarns in the global as well as domestic market.

Currently, end users of our cotton yarns are from various fields like apparels and garment industry, Industrial Fabrics, Furnishing Fabrics, Towels, etc. These customers also require cotton yarns of fine counts, which they currently procure from other manufacturers.

After completion of the Project, we would be able to meet their demand for finer counts also. Due to fineness, finer counts of cotton yarns realize higher value in comparison to coarse & medium counts of cotton yarns.

Our Company is also contemplating an increase in manufacturing capacity for manufacturing of knitted fabrics. Being an integrated manufacturer of yarns and fabrics, our Company is in a position to offer better quality, wide range and timely deliveries of fabrics to garment manufacturers. Our Company also has a competitive advantage in terms of cost and



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performance. The vertical integration process will also help us to understand the dynamics of apparel and garment manufacturing business and can lead growth of our Company in that segment.

Further, at present, our Company is exporting to around 20 countries due to limited production capacity, while cotton yarns and fabrics from India are exported to around 80 countries from various textile mills of the country. With the recently concluded expansion and the proposed Project, our Company would be geared to develop new markets and increase presence in the global markets.

Our strong export base with long-term relationship with customers, marketing agents in almost 17 countries, wholesale dealers in domestic market and positive industry outlook, places our Company in favorable position to tap market potential and enhance our business accordingly.

LICENSED & INSTALLED CAPACITY AND CAPACITY UTILISATION

No license is required under the Industries (Development & Regulation) Act, 1951; therefore the details of licensed and installed capacity are not applicable to us. However, we will file the required Industrial Entrepreneurs' Memorandum (IEM) to the Government of India, Ministry of Commerce & Industry, Secretariat for Industrial Assistance for the Project.

COMPETITIVE STRENGTHS

Experienced and Qualified Management

All our individual promoters are experienced and qualified. Chairman and Managing Director of our Company, Mr. R. L. Nolkha, is a Chartered Accountant, Company Secretary & Cost Accountant by qualification with over three decades of experience in textile industry. Mr. Dinesh Nolkha, our Managing Director, is a Chartered Accountant & Cost Accountant by qualification, whereas Mr. Nitin Nolkha, our Executive Director, is a Management Graduate. Our Company works under the supervision of experienced Board of Directors and is also supported by experienced and technically qualified execution team.

Optimum Utilization of Manufacturing Facilities

Our Company is able to utilize manufacturing facilities at an optimum level by balancing production and marketing efforts. Further, our Company has the capability to reprocess the wastes generated during the production cycle and utilize them for different kinds of product with different end uses. This help to reduce the Raw Material costs and maintaining the cost competitiveness.

Proximity to Textile Hub

Our Company is about 16 kilometers away from Bhilwara District, which is one of the textile hubs of the country. This proximity ensures availability of skilled & unskilled labour. Further, the basic raw material i.e. cotton is available in the surrounding areas viz., Bhilwara, Bijaynagar, Asind and other adjoining areas like Nagaur, Merta City, Sumerpur and Beawar within Rajasthan state itself.

Cordial Relationship between Management & Labour

Our Company has been enjoying cordial relationship between management and labour. There is no labour or workers' union in our Company. Moreover, there have been no lockouts or strikes in our Company since incorporation.

Captive Power Plant

Power is a major input for Spinning Process. Our Company is meeting entire power requirements through 3 generators, two based on furnace oil with a capacity of 3.5 MW (2.5 MW + 1 MW) and another HSD based set of 2 MW as standby arrangement. Being a 100% EOU, our Company is able to import furnace oil directly at landed cost without cess & taxes for captive power plant. Hence, our power cost per unit is lower by 35% to 40% against per unit cost charged by State Electricity Board. It also helps in maintaining the efficiencies of the plant to high levels since there is a consistent power supply.

In the current Project, our Company also proposes to set-up a Power Plant of 8.18 MW near our existing unit located at Hamirgarh, Bhilwara, which is estimated to be sufficient for our captive power requirements in relation to our Project.

INSURANCE

Our Company keeps all immovable and movable properties duly insured with various insurance companies under the following nature of insurance policies:

- Standard fire and special perils policy
- Workmen compensation policy
- Group personnel accident policy
- Transit Insurance policy
- Fidelity insurance policy
- Cash insurance policy
- Vehicle insurance policy

Further, our Company has taken Keyman Insurance Policy with Life Insurance Corporation of India for Mr. Dinesh Nolkha, Managing Director and Mr. Nitin Nolkha, Executive Director of our Company.

PROPERTY

The details of our properties acquired since incorporation are given below:

Sr. No.	Details of Agreement/ Deeds	Description of Premises	Consideration
1.	Sale Deed dated 31 st December 1999 entered into between Mr. Dinesh Nolkha (the Vendor) and Nitin Spinners Limited (the Purchaser).	Khasra No. 133, admeasuring 2 Bighas and 11 Biswa at Patwar Halka, Hamirgarh, Bhilwara	Rs. 6,37,500/-
2.	Sale Deed dated 31 st December 1999 entered into between Mr. Ratanlal Nolkha (the Vendor) and Nitin Spinners Limited (the Purchaser).	Khasra No. 132 admeasuring 2 Bigha and 16 Biswa and Khasra No. 137, admeasuring 04 Biswa at Patwar Halka, Hamirgarh, Bhilwara	Rs. 7,25,000/-
3.	Sale Deed dated 31 st December 1999, entered into between Mr. Nitin Nolkha (the Vendor) and Nitin Spinners Limited (the Purchaser).	Khasra No. 128/1 admeasuring 10 Biswa, Khasra No. 134 admeasuring 1 Bigha & 6 Biswa and Khasra No. 135 admeasuring 10 Biswa, and Khasra No. 130 admeasuring 1 Bigha and 02 Biswa, Khasra No. 131 admeasuring 03 Biswa, Khasra No. 128/M. admeasuring 10 Biswa, Khasra No. 109 admeasuring 1 Bigha, and Khasra No. 129 admeasuring 1 Bigha 05 Biswa, Khasra No. 127 admeasuring 1 Bigha 12 Biswa at Patwar Halka, Hamirgarh, Bhilwara	Rs. 20,00,000/-
4.	Sale Deed dated 16 th January 2003 entered into between Sangai Leela Synthetics Pvt. Ltd. (the Vendor) and Nitin Spinners Limited (the Purchaser).	Khasra No. 106, admeasuring 1 Bigha 09 Biswa at Patwar Halka, Hamirgarh, Bhilwara	Rs. 2,75,000/-



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Sr. No.	Details of Agreement/ Deeds	Description of Premises	Consideration
5.	Sale Deed dated 16 th January 2003 entered into between Mr. Bakshiram Gurjar, Mr. Devilal Gurjar, Mrs. Dhapu Gurjar, Mr. Harichand, Mr. Deva, Ms. Bhola, Ms. Nani and Mr. Chandu (the Vendors) and Nitin Spinners Limited (the Purchaser).	Khasra No. 108 admeasuring 1 Bigha 03 Biswa at Patwar Halka, Hamirgarh, Bhilwara.	Rs. 2,18,000/-
6.	Sale Deed dated 16 th January 2003 entered into between Mr. Bakshiram Gurjar, Mr. Devilal Gurjar, Mrs. Dhapu Gurjar, Mr. Harichand, Mr. Deva, Ms. Bhola, Ms. Nani and Mr. Chandu (the Vendors) and Nitin Spinners Limited (the Purchaser).	Khasra No. 125, admeasuring 1 Bigha 04 Biswa, at Patwar Halka, Hamirgarh, Bhilwara.	Rs. 2,28,000/-
7.	Sale Deed dated 20 th January 2003 entered into between Mr. Bakshiram, Mr. Devilal, Mrs. Dhapu, Mr. Harichand, Mr. Deva, Ms. Bhola, Ms. Nani and Mr. Chandu (the Vendors) and Nitin Spinners Limited (the Purchaser).	Khasra No. 126, admeasuring 1 Bigha 02 Biswa, at Patwar Halka, Hamirgarh, Bhilwara.	Rs.2,09,000/-
8.	Sale Deed dated 4 th May 2005 entered into between Chairman Processors Ltd. (the Vendor) and Nitin Spinners Limited (the Purchaser)	Khasra No. 100 admeasuring 1 Bigha, and Khasra No. 101 admeasuring 1 Bigha 07 Biswa and Khasra No. 102 admeasuring 15 Biswa at Patwar Halka, Hamirgarh, Bhilwara.	Rs. 10,23,000/-
9.	Sale Deed dated 4 th May 2005 entered into between Chairman Processors Ltd. (the Vendor) and Nitin Spinners Limited (the Purchaser)	Khasra No. 341 admeasuring 2 Bigha 16 Biswa, and Khasra No. 342 admeasuring 06 Biswa and Khasra No. 350 admeasuring 2 Bigha 02 Biswa, and Khasra No. 339 admeasuring 4 Bigha 10 Biswa and Khasra No. 340 admeasuring 09 Biswa at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist. - Bhilwara	Rs. 13,80,400/-
10.	Sale Deed dated 9 th March 2005 entered into between Mr. Bhagirath Gurjar (the Vendor) and Nitin Spinners Limited (the Purchaser).	½ share of land at Khasra No. 107 admeasuring 1 Bigha 06 Biswa i.e. 13 Biswa at Patwar Halka, Hamirgarh, Bhilwara.	Rs. 1,58,000/-
11.	Sale Deed dated 28 th May 2005 entered into between Mr. Satya Narayan (the Vendor) and Nitin Spinners Limited (the Purchaser)	Khasra No. 352 admeasuring 1 Bigha 15 Biswa at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist. – Bhilwara.	Rs. 2,01,250/-

12.	Sale Deed dated 24 th May 2005 entered into between Mr. Pokhar, Mr. Girdhari (the Vendors) and Nitin Spinners Limited (the Purchaser)	Khasra No. 367 admeasuring 4 Bigha 03 Biswa, and Khasra No. 368 admeasuring 04 Biswa and Khasra No. 369 admeasuring 05 Biswa and Khasra No. 370 admeasuring 3 Bigha 13 Biswa at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist. – Bhilwara.	Rs. 9,48,750/-
13	Sale Deed dated 18 th February 1993 between Mr. Uda, Mr. Jeeva and Mr. Rama (the Vendors) and Nitin Spinners Limited (the Purchaser)	Khasra No. 136, admeasuring 19 Biswa at Hamirgarh, Bhilwara	Rs. 38,000/-
14.	Sale Deed dated 20 th November 1991 between Mr. Uda, Mr. Jeeva and Mr. Rama (the Vendors) and Mr. Nitin Nolakha (the Purchaser)	Khasra No. 138 admeasuring 1 Bigha and 9 Biswa and Khasra No. 139 admeasuring 1 Bigha and 2 Biswa at Patwar Halka, Hamirgarh, Bhilwara.	Rs. 31,875/-
15.	Sale Deed dated 20 th November 1991 between Mr. Uda, Mr. Jeeva and Mr. Rama (the Vendors) and Mrs. Sushila Nolkha (the Purchaser)	Khasra No. 140 admeasuring 5 Bigha and 15 Biswa at Patwar Halka, Hamirgarh, Bhilwara.	Rs. 71,875/-
16	Sale Deed dated 20 th June, 2005 between Mr. Kalu (the Vendor) and Nitin Spinners Ltd. (the Purchaser)	1/6 share of land of Khasra No. 351 admeasuring 1 Bigha 13 Biswa i.e. 5.5 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 31,625/-.
17	Sale Deed dated 16 th June, 2005 between Mr. Magu, Mr. Uda, Mr. Bhanwar (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/2 share of land of Khasra No. 351 admeasuring 1 Bigha 13 Biswa i.e. 16.5 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 94,875
18	Sale Deed dated 15 th June, 2005 between (1) Mr. Ladu, (2) Mr. Madhu, (3) Mr. Debi, (4) Mrs. Sohani (5) Ms. Gaki, (6) Ms. Baraji Gujar (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/2 share of land of Khasra No. 349 admeasuring 1 Bigha 11 Biswa i.e. 15.5 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 89,125/-.
19	Sale Deed dated 16 th June, 2005 between Mr. Girdhari and Mr. Megha (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/3 share of land of Khasra No. 349 admeasuring 1 Bigha 11 Biswa i.e. 10.33 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 59,415/-.
20	Sale Deed dated 25 th June, 2005 between Mr. Magu (the Vendor) and Nitin Spinners Ltd. (the Purchaser)	1/6 share of land of (1) Khasra No. 345 admeasuring 1 Bigha 04 Biswa, (2) Khasra No. 346 admeasuring 03 Biswa, (3) Khasra No. 347 admeasuring 02 Biswa, (4) Khasra No. 348 admeasuring 1 Bigha 01 Biswa; i.e. 8.33 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 47,920/-.



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21	Sale Deed dated 22 nd June, 2005 between Mr. Laxman (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/6 share of land of Khasra No. 349 admeasuring 1 Bigha 11 Biswa ; i.e. 5.17 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 29,710/-.
22	Sale Deed dated 23 rd June, 2005 between (1) Mr. Sattu, (2) Mrs. Dhapu, (3) Mrs. Lehri (4) Mrs. Sohani and (5) Ms. Indra (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/4 share of land of (1) Khasra No. 345 admeasuring 1 Bigha 04 Biswa, (2) Khasra No. 346 admeasuring 03 Biswa, (3) Khasra No. 347 admeasuring 02 Biswa, (4) Khasra No. 348 admeasuring 1 Bigha 01 Biswa; i.e. 12.5 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 71,875/-
23	Sale Deed dated 22 nd June, 2005 between (1) Mr. Baxu, (2) Mr. Debu, (3) Mrs. Dhapu, (4) Mr. Harchand (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/2 share of land of (1) Khasra No. 343 admeasuring 1 Bigha 05 Biswa, (2) Khasra No. 344 admeasuring 03 Biswa; i.e. 14 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara	Rs. 80,500/-
24	Sale Deed dated 28 th June, 2005 between Mr. Bhagirath (the Vendor) and Nitin Spinners Ltd. (the Purchaser)	1/4 share of land of (1) Khasra No. 345 admeasuring 1 Bigha 04 Biswa, (2) Khasra No. 346 admeasuring 03 Biswa (3) Khasra No. 347 admeasuring 02 Biswa (4) Khasra No. 348 admeasuring 1 Bigha 01 Biswa; i.e. 12.5 Biswa situated at Gram Kanya Khedi, Patwar Halka, Kherabad, Tehsil & Dist.- Bhilwara.	Rs. 71,875/-.
25	Sale Deed dated 28 th June, 2005 between Mr. Bhagirath (the Vendor) and Nitin Spinners Ltd. (the Purchaser)	1/4 share of land of (1) Khasra No. 111 admeasuring 17 Biswa; i.e. 4.25 Biswa situated at Gram & Patwar Halka, Hamirgarh, Tehsil & Dist.- Bhilwara.	Rs. 67,205/-.
26	Sale Deed dated 2 nd July, 2005 between Mr. Bhagirath (the Vendor) and Nitin Spinners Ltd. (the Purchaser)	1/2 share of land of (1) Khasra No. 113 admeasuring 1 Bigha 8 Biswa; i.e. 14 Biswa situated at Gram & Patwar Halka, Hamirgarh, Tehsil & Dist.- Bhilwara.	Rs. 2,21,375/-
27	Sale Deed dated 2 nd July, 2005 between (1) Mr. Baxi Ram, (2) Mr. Debi Lal, (3) Mrs. Dhapu, and (4) Mr. Harichand (the Vendors) and Nitin Spinners Ltd. (the Purchaser)	1/2 share of land of Khasra No. 112 admeasuring 14 Biswa; i.e. 7 Biswa situated at Gram & Patwar Halka, Hamirgarh, Tehsil & Dist. - Bhilwara.	Rs. 1,10,687/-

The lands comprised in Serial Nos. 14 and 15 above had been purchased by individuals, namely Mrs. Sushila Devi Nolkha and Mr. Nitin Nolkha vide sale deeds dated 20th November, 1991, when our Company was not incorporated. Subsequently, vide Conversion Order Dated 2nd December, 1992 and pursuant to surrender forms signed by Mrs. Sushila Devi Nolkha and Mr. Nitin Nolkha, our Company was allowed to use the aforesaid lands for industrial use in its own name. Our Company is currently the lawful owner of the aforesaid lands.

All of the aforesaid land (except for the land acquired by National Highways Authority of India (“NHAI”), a Central Government authority; as per details given below) is freehold land, being used/proposed to be used for industrial use. In respect of some of the lands above, our Company has not yet made any application for conversion of land from agricultural to industrial use.

In addition to the above properties, our Company has taken two premises on rent, one from Redial Trading & Investment Private Limited (its Promoter) and one from R.L. Nolkha (HUF). The premises rented from Redial Trading and Investment Pvt. Ltd. is being used as the city office of our Company, while the premises belonging to R.L. Nolkha (HUF) is being used as a guesthouse.

Sr. No.	Details of Agreement, if any	Description of Premises	Consideration/ Rent
1.	No written contract has been entered into. Oral agreement between R.L. Nolkha (HUF) and Nitin Spinners Limited.	6-A-1, New Housing Board, Shastri Nagar, Bhilwara admeasuring 1920 square feet	Rs. 5000/- per month. Security deposit: Nil
2.	No written contract has been entered into. Oral agreement between Redial Trading & Investment Pvt. Ltd. and Nitin Spinners Limited.	201-202, Om Textile Tower, Pur Road, Bhilwara admeasuring 1020 square feet	Rs. 9500/- per month Security deposit: Nil

Compulsory acquisition of land: During the financial year 2002-03, some land belonging to our Company was compulsorily acquired by NHAI. The details of the land acquired are as follows:

Sr. No.	Khasra No.	Area	
		Bigha	Biswa
1.	134	0	8
2.	133	0	3
3.	140	1	5
	Total	1	16

The total consideration for which the aforesaid land was purchased was Rs. 17.16 Lacs, which is a composite consideration for the land and the buildings and constructions thereon. There has been no litigation or dispute pending with respect to the aforesaid land acquisition.

NOTES:

- (i) 1 Bigha is equivalent to 2530.20 Square Meters or 20 Biswa
- (ii) 1 Biswa is equivalent to 126.51 Square Meters

PURCHASE OF PROPERTY

Except as stated in “Objects of the Issue” beginning on Page 55 of this Red Herring Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of our Company’s business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or



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- The amount of the purchase money is not material. We have not purchased any property in the last two years in which any of our Promoters and/or Directors; have any direct or indirect interest.

KEY INDUSTRY REGULATIONS

Our Company operates in the textile industry, exclusively in cotton textile sub-segment. Laws relating to excise, customs, sales tax, pollution control, factory and labour-related matters etc. are applicable to our Company, as they are applicable to all manufacturers. Our Company being a 100% EOU, the EXIM Policy and other regulations and notifications governing all EOUs are applicable to our Company also.

However, there is one notification issued under the Essential Commodities Act, 1955 that constitutes an obligation on our Company, which is the "Hank Yarn Packing Notification". Vide Notification No. 2/TDRO/8/2003 dated 17th April, 2003 which has been issued by the Textile Commissioner under Section 3 of the Essential Commodities Act, 1955 for protecting the interest of the textile industry by ensuring that hank yarn, which is the raw material for the handloom industry, is available in adequate quantity at reasonable prices to the handloom industry.

Under this notification, Our Company, as a manufacturer of yarn, is under an obligation to:

1. Pack, in hank yarn form, not less than 40% of the "yarn packed for civil consumption" in every quarter, of which not less than 80% of the yarn required to be in hank form shall be of counts 40s and below. However, "yarn packed for civil consumption" means yarn packed for sale in the domestic market, and does not include exports and deemed exports. In case such producer is not able to meet his hank yarn packing obligation for any quarter, can fulfill his obligation through other producers also(after they have fulfilled their obligations) subject to necessary approvals and permissions. Surplus/deficit in hank yarn packing obligations can be carried forward, and fulfilled/set off in accordance with the terms of the Hank Yarn Packing Notification.
2. Submit quarterly return to the concerned Regional Office of the Textile Commissioner under whose jurisdiction the producer of yarn is located, so as to reach the said Officer on or before the 10th of the second month after expiry of such quarterly period by Registered Post A.D. or acknowledged hand delivery.

This notification assumes significance in view of the fact that hank yarn is a low-profit, low-margin variety of yarn, and the obligation to produce the same directly affects our Company's profitability to that extent. However, the impact on our Company has been mitigated since the obligation extends only to yarn packed for domestic consumption, and not to exports and transactions deemed to be exports (that is, deemed exports), and our Company is a 100% EOU which exports a substantial portion of its own production.

HISTORY AND CORPORATE STRUCTURE

Our History & Background

Our Company was incorporated as a private limited Company on 15th October, 1992 under the Companies Act, 1956 in the state of Rajasthan having the name “Nitin Spinners Private Limited”. Subsequently, our Company was converted into a public limited company on 15th November, 1994 and the name was changed to Nitin Spinners Limited. The individual Promoters of our Company are Mr. R. L. Nolkha, Mr. Dinesh Nolkha and Mr. Nitin Nolkha.

Our Company is presently engaged in the manufacturing of cotton yarn and knitted fabrics. We have grown by undertaking expansions at regular intervals to reach at our present capacity of 27216 spindles, 1872 Rotors and 15 knitting machines. We have installed Plant & Machineries imported from known textile machinery manufacturers like Rieter (Switzerland), Savio (Italy), Mayer & Cie (Germany), Elitex (Czechoslovakia). We have also installed Plant & Machineries purchased locally from manufacturers like Laxmi Machine Works.

Our first unit was set-up in the year 1993 at Hamirgarh, Bhilwara (Rajasthan) for manufacturing coarse cotton yarns. We installed two open-end spinning machines with 192 Rotors each aggregating 384 Rotors which were acquired from Elitex, Czechoslovakia under EPCG scheme. The total capital outlay towards the project was Rs. 285.50 Lacs, which was financed by way of a Term Loan of Rs. 150 Lacs from RIICO, Equity Share Capital of Rs. 86 Lacs from Promoters, Unsecured Loans of Rs. 14.50 Lacs from Promoters and State Subsidy of Rs. 35 Lacs. The commercial production of this project was commenced in November 1993.

Subsequently in the year 1994, we undertook our first expansion project involving installation of one Autoconer Machine of 216 Rotors from Schlafhorst AG & Co., Germany and increased the number of Rotors to 600. The total capital outlay towards this project was Rs. 400 Lacs, which was financed by Rupee Term Loan of Rs. 84 Lacs and Foreign Currency Loan of DM 905,000 equivalent to Rs.185 Lacs from ICICI, Equity Share Capital of Rs. 20 Lacs and Rs. 56 Lacs from RIICO and Promoters respectively and Internal Accruals of Rs. 55 Lacs. The commercial production of this expansion project was commenced in May 1995.

We undertook our second expansion project in the year 1996-97. The expansion project involved acquisition of two Autoconer open-end spinning machines of 240 Rotors each from Schlafhorst AG & Co., Germany, increasing our capacity to 1080 Rotors. The total capital outlay towards this project was Rs.1,100 Lacs, which was financed by Foreign Currency Loan of DM 13,50,000 equivalent to about Rs.324 Lacs & Rupee Term Loan of Rs. 336 Lacs from IDBI, Equity Share Capital of Rs. 200 Lacs from Promoters and Internal Accruals of Rs. 240 Lacs. The project was implemented ahead of schedule and commenced commercial production from 05th October, 1997 as against the expected schedule of January 1998.

We undertook our third expansion in the year 1998-99. The expansion scheme involved two open end spinning machines of 384 Rotors from Elitex, Czechoslovakia. The total capital outlay of the project was Rs.190 Lacs, which was financed by way of Term Loan of Rs.140 Lacs from RIICO, and Rs. 50 Lacs from Internal Accruals. The expansion was carried out mainly for balancing of excess capacity available at preparatory stage. The machines were installed in September, 1998.

Based on growth in export performance, our Company was converted into 100% Export Oriented Unit (EOU) from 15th January 1999. We have been awarded export house status by Government of India in the year 1999.

We undertook our fourth expansion project in the year 1999. This expansion project involved installation of 14,112 spindles to produce combed and carded cotton yarns of 20s to 40s count. At this expansion phase, we also went for forward integration programme by installing 7 knitting machines. The total capital outlay of the project was Rs. 5,018 Lacs. The project was financed by way of Rupee Term Loan of Rs.3,601 Lacs from the following banks: IDBI - Rs.1665 Lacs, IOB - Rs.775 Lacs, OBC - Rs. 608 Lacs and PNB - Rs.553 Lacs; Equity Share Capital of Rs.850 Lacs from Promoters, Unsecured Loan of Rs.50 Lacs from Promoters and Internal Accruals of Rs. 517 Lacs. The entire project was financed under Technology Upgradation Funds Scheme (TUFS) of Government of India. The commercial production of this expansion project was commenced on 1st April 2002. In order to augment long-term working capital requirement of our Company arising due to this expansion project, IDBI sanctioned financial assistance of Rs.150 Lacs by way of subscription to 1,50,000 13.5% Cumulative Redeemable Preference Shares of Rs.100 each, which was subsequently reduced to 10.25% on 1st June 2004.



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We undertook our fifth expansion project in the year 2003. The total capital outlay of this project was Rs. 3,550 Lacs. This expansion project envisaged addition of 13,104 spindles and 6 knitting machines. The project was financed by way of Equity Share Capital of Rs. 700 Lacs from Promoters; Internal Accruals of Rs. 400 Lacs and Term Loan from IDBI, OBC, PNB and IOB aggregating Rs. 600 Lacs, Rs. 400 Lacs, Rs. 750 Lacs and Rs. 700 Lacs respectively. This project, which was expected to be completed by September 2005, was actually completed before time in November 2004.

We undertook our sixth expansion project in February 2005. This expansion project involved addition of 408 Rotors and 2 knitting machines. The capital outlay of this project was Rs.250 Lacs, which was financed from internal accrual.

Thus, within span of 12 years, we have increased our production facilities from 384 Rotors in year 1993 to present production facilities of 27216 spindles, 1872 Rotors and 15 knitting machines.

Our products are suitable for applications such as apparels, undergarments, Terry Towels, Denims, Medical Fabrics, Furnishing Fabrics and Industrial Fabrics. Our products are presently sold in the domestic market as well as exported to various countries like Australia, Bahrain, China, Colombia, Egypt, Israel, Italy, Korea, Mauritius, Russia, Poland, U.K., U.S.A., etc. Some of our major international customers are Arad Towels and SVAV-OR Ltd. (Israel), EDPA (USA), Gobind & Co. and City Styles (LEIC) Ltd. (UK), Emi-Maglia S.p.a. (Italy), Hong Kong Shanghai Knit Factory Ltd. (Mauritius), Zheing Feng Weaving Factory (China), OOO Transexport (Russia), Sharda Europe SP. ZO.O (Poland), MT Sullivan and Co. (Australia).

Our major Indian customers includes Arvind Mills, Adani Exports Ltd., Modern Denim Ltd., Maral Overseas Ltd., Ginni International Ltd., Vanasthali Tex. Ind. Ltd., Datt Mediproducs Ltd., Sheena Textiles Ltd., Lahoti Overseas Ltd. and L. M. Sagar Exports.

Our Milestones

Year	Event
1992	Incorporated as a private limited company
1993	Commenced operations with Open End Spinning – 384 Rotors
1994	Becomes a public limited company
1995	Completed First Expansion and enters Automated Open End Spinning Total Installed Rotors – 600 nos.
1997	Completed Second Expansion; Total Installed Rotors – 1080 nos.
1998	Completed third expansion <ul style="list-style-type: none"> ● Accredited as ISO 9002 Company ● Total Installed Rotors – 1464 nos.
1999	<ul style="list-style-type: none"> ● Achieved 100% EOU Status ● Government Recognized Export House
2002	Entered into Ring Spinning Forward integration into knitted fabrics Completed fourth expansion <ul style="list-style-type: none"> ● Total Installed Rotors – 1464 nos. ● Total Installed Spindles – 14112 nos. ● Total Installed Knitting Machines – 7 nos.
2004	Completed fifth expansion <ul style="list-style-type: none"> ● Total Installed Rotors – 1464 nos. ● Total Installed Spindles – 27216 nos. ● Total Installed Knitting Machines – 13 nos. Accredited ISO:9001 status

Year	Event
2005	<p>Completed sixth expansion</p> <ul style="list-style-type: none"> ● Total Installed Rotors – 1872 nos. ● Total Installed Spindles – 27216 nos. ● Total Installed Knitting Machines – 15 nos.

Registered Office of our Company

At the time of our incorporation, the registered office of our Company was situated at B-86, Shastri Nagar, Bhilwara, Rajasthan.

However, on 25th February 1994, vide a resolution passed in an Extraordinary General Meeting of our members; our registered office was shifted to 16-17 Km. Stone, Chittor Road, Hamirgarh, District – Bhilwara, Rajasthan which is the existing registered office of our Company.

Changes in the Memorandum of Association of our Company

Since Incorporation, the following changes have been incorporated in Memorandum of Association of our Company, after approval of the Members:

Sr. No.	Particulars	Date of Meeting	Type of Meeting
1	Increase in Authorised Share Capital: Rs. 25 Lacs to Rs. 90 Lacs	30.01.93	EGM
2	Change in Registered Office	25.02.94	EGM
3	Increase in Authorised Share Capital: Rs. 90 Lacs to Rs. 200 Lacs	30.09.94	AGM
4	Change in Name – from Nitin Spinners Private Ltd. to Nitin Spinners Ltd.	30.09.94	AGM
5	Increase in Authorised Share Capital: Rs. 200 Lacs to Rs. 500 Lacs	30.08.96	AGM
6	Increase in Authorised Share Capital: Rs. 500 Lacs to Rs. 1,500 Lacs	15.04.00	EGM
7	Modification in Authorised Share Capital	22.01.01	EGM
8	Increase in Authorised Share Capital: Rs. 1,500 Lacs to Rs. 2,000 Lacs	28.11.03	EGM
9	Increase in Authorised Share Capital: Rs. 2,000 Lacs to Rs. 5,000 Lacs	02.06.05	EGM

Our Main Objects:

The main objects set out in our Memorandum of Association are as under:

1. To carry on the business of Spinners, Weavers, Manufacturers, Ginners, Pressers, Balers, Liners, Cleaners, Processors, Doublers, Combers, Knitters, Dyers, Printers, Bleachers, Calenderers, Extruders, Sellers, Buyers, Importers, Exporters, Mercerisers, Texturisers, Distributors, Barterers, Shippers of all products and merchandise related to Synthetics, Textiles and Plastics including Cotton, Linen, hemp, Jute, Silk, Rayon, Nylon, manmade Synthetics Fibre, Staple Fibre, Synthetic yarn, Synthetic tap, Wool, hair, Leather and any other Fibrous material.
2. To carry on the business of manufacturers, processors, importers, exporters and dealers in all forms and products made of and related to shoddy, cotton, acrylic, terene, flax, carpets, blankets, shawls, lohi, tweeds, surge, woollen, hosiery, woollen articles, garments, water proof fabrics, pavliners, American clothes, Floor clothes, tents, durries, newar, jute fabrics, hessain, gunny bags, jacks, twin, ropes and webbings.
3. To buy, sell, exchange, barter, ship, import, export, make advances upon and otherwise deal in whether as principals, agents, stockists, distributors, brokers, wholesale and retail dealers or otherwise either for ready or forward transactions. In cotton, kappas, wool silk, kapok, art silk, artificial and synthetic filaments, rayons, linen, terene, nylon and other fibrous substances as well as in yarn, linen, tents, durries, newar, parachutes, carpets, rugs, namadas, worsted stuff manufactures, cloth and other goods, fabrics and manufactures including waste, residual and bye products thereof whether textile, felted, netted or looped.



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Subsidiaries of Our Company

As per the audited balance sheet of our Company as at 31st March 2005, our Company doesn't have any subsidiaries.

Shareholders' Agreement

There is no Shareholders' Agreement existing as on date.

Other Agreements

Except as stated otherwise in this Red Herring Prospectus and the contracts which have been entered in regular course of business, there are no other material contracts which have been entered into within a period of two years from the date of this Red Herring Prospectus, which are subsisting as on date.

Strategic Partners

Presently, our Company does not have any strategic partners.

Financial Partners

Presently, our Company does not have any financial partners.

OUR MANAGEMENT

Board of Directors

Our Company is currently managed by a Board of Directors comprising of 7 directors. Mr. R. L. Nolkha is currently our Chairman and Managing Director.

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

Sr. No.	Name, Age, Designation, Address & Occupation of Director	Other Directorships
1.	Mr. R. L. Nolkha (59 years) Chairman & Managing Director B / 86, Shastri Nagar, Bhilwara – 311 001 Occupation: Industrialist	1. Redial Trading & Investment Pvt. Ltd. 2. Greenfield Securities Pvt. Ltd.
2.	Mr. Dinesh Nolkha (34 years) Managing Director B / 86, Shastri Nagar, Bhilwara – 311 001 Occupation: Industrialist	1. Redial Trading & Investment Pvt. Ltd. 2. Dolphin Carrier Pvt. Ltd.
3.	Mr. Nitin Nolkha (29 years) Executive Director B / 86, Shastri Nagar, Bhilwara – 311 001 Occupation: Industrialist	1. Prasham Corporate Services (India) Pvt. Ltd. 2. Greenfield Securities Pvt. Ltd.
4.	Mr. Bhagwan Ram (72 years) Director 11/124, Kaveri Path, Mansarovar, Jaipur. Occupation: Retired IAS Officer	NIL
5.	Mr. Y.R. Shah (63 years) Director A-19, Bhagwati House, 1 st Floor, Veera Desai Road, Near Chitraklekha House, Andheri (West), Mumbai-400 053 Occupation: Textile Consultant & Agencies	1. Rishraj Filaments Limited 2. Pranavadiya Spinning Mills Ltd. 3. Arunodaya Mills Limited 4. Domtex India Pvt. Ltd. 5. Simba India Pvt. Ltd. 6. Amit Spinning Industries Limited 7. Orbit Exports Limited 8. Krishna Knitwear Technology Ltd.
6.	Dr. S.K. Sharma (57 years) Director M.L.V. Textile Institute staff colony, Pur Road, Bhilwara- 311 001 Occupation: Service	NIL
7.	Mr. B. P. Singh (53 years) IDBI Nominee Director 11, TISS Flats, Sion-Trombay Road, Deonar, Mumbai 400 088. Occupation : Service	1. SIDBI Trustee Company Ltd. 2. Gujarat Alkalies & Chemicals Ltd. 3. Entrepreneurship Development Institute of India



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For a brief profile of all our Directors, please refer to section titled "Our Board of Directors" beginning on page 33 of this Red Herring Prospectus.

Borrowing powers of our board:

The extract of the latest resolution of our Company authorizing our Board's borrowing powers in excess of our paid-up share capital and free reserves passed in the Extraordinary General Meeting held on 2nd June, 2005 is as follows:

To Borrow any sum of money (ies) under section 293(1) (d) of the Companies Act, 1956 not exceeding Rs. 200 Crores from Banks / Financial Institutions

"Resolved that in suppression to the earlier resolution passed pursuant to the provisions of section 293(1)(d) of the companies act, 1956, the consent of the company in terms of the aforesaid section of the act be and is hereby accorded to the board of directors of the company regarding borrowing from time to time for the purpose of the business of the company any sum or sums of money as it may deem proper notwithstanding that the monies already borrowed by the company, if any, (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the company and its free reserves, if any, that is to say, reserves not set apart for any specific purpose provided that the total amount of the monies to be so borrowed by the board together with monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed Rs. 200 Crores (rupees two hundred Crores) outstanding at any time."

Compensation to Managing directors / Wholtime Directors

Mr. R. L. Nolkha, Chairman and Managing Director

Mr. R. L. Nolkha was appointed as Chairman and Managing Director of our Company with effect from 6th September, 1997 vide a resolution passed at an Extraordinary General Meeting of our Company on 6th October, 1997. Mr. R. L. Nolkha was reappointed as the Chairman and Managing Director for a period of five years with effect from 6th September, 2002 vide Ordinary Resolution passed at an Extraordinary General Meeting of our Company held on 31st January, 2003. The terms of the said resolution re-appointing Mr. R. L. Nolkha as Chairman and Managing Director, are stated hereunder:

A. Remuneration:

1. Salary per month Rs.35000 with as annual increase of Rs. 5000.00 thereafter.

2. Commission: -

Not more than 1% of the net profit of the company as laid down in section 309 (5) of the Companies Act, 1956, as approved by the Board, subject to 50% of the Annual Salary.

3. Perquisites: -

In addition to the salary and commission Shri R. L. Nolkha shall be entitled to the perquisites, restricted to the maximum ceiling of six months' salary, which are classified into three categories, A.B. and C as follows :-

Category 'A'

1. **Housing I:-** The expenditure incurred by the company on hiring unfurnished accommodation for him shall be subject to a ceiling, namely (for residence in Delhi/out side Delhi) 60% of the salary over and above 10% payable to him.

Housing –II:- In case the accommodation is owned by our Company ; 10% of the salary shall be deducted by the company.

Housing –III:- In case no accommodation is provided by the company; a house rent allowance subject to a ceiling laid down in housing I shall be paid.

The expenditure incurred by the company on Gas , Electricity, Water and furniture shall be valued as per the Income Tax Rules, 1962 and will be subject to the ceiling of 10% of the salary.

2. Medical Reimbursement: -

For self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

3. **Leave Travel Concession: -**

For self and family once in a year incurred in accordance with the rules prescribed by our Company.

4. **Club Fees: -**

Fees of clubs subject to the maximum of two clubs will be allowed. This will not include admission and life membership fees.

5. **Personal Accident Insurance: -**

Of an amount, the annual premium of which not to exceed Rs.1000/- . For the purpose of this category, "Family" means the spouse, the dependent children and dependent parents.

Category 'B'

1. **Provident Fund:-**

Company's contribution to provident fund shall be as per the scheme of our Company.

2. **Super Annuation /Annuity Funds:-**

Company's contribution to super annuation / annuity fund shall be in accordance with the scheme of the company.

Contribution to provident fund, super annuation / annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

3. **Gratuity:-**

As per the rules of the company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service.

Category 'C'

1. **Car:-**

Provision of car for use on Company's business. Use of car for private purposes shall be billed by our Company separately.

2. **Telephone: -**

Telephone expenses at residence. Personal long distance calls shall be billed by our Company.

Mr. Dinesh Nolkha, Managing Director

Mr. Dinesh Nolkha was reappointed as the Managing Director of our Company for a period of five years with effect from 31st December, 2000 vide Ordinary Resolution passed at the Extraordinary General Meeting of the Company held on 22nd January, 2001. The terms of the said resolution re-appointing Mr. Dinesh Nolkha as Managing Director are stated hereunder:

A. Remuneration:

1. Salary 18,000/- per month, with an increase of Rs. 2,000/- per annum.

2. **Commission:**

Not more than 1% of the net profit of the company as computed in the manner laid down in section 309 (5) of the Companies Act, 1956, as approved by the Board, subject to 50% of the Annual Salary.

3. **Perquisites:**

In addition to the salary and commission Shri Dinesh Nolkha shall be entitled to the following perquisites which, shall be restricted to an amount equal to the salary of six months. Perquisites are classified into three categories A, B, and C as follows:



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Category 'A'

1. **Housing I:** The expenditure incurred by our Company on hiring unfurnished accommodation for him shall be subject to a ceiling, namely (for residence in Delhi/outside Delhi), 60% of the salary, over and above 10% payable to him.

Housing II: In case of the accommodation is owned by the company 10% of salary shall be deducted by the company.

Housing III: In case no accommodation is provided by the company, a house rent allowance subject to a ceiling laid down in housing I shall be paid.

The Expenditure incurred by our Company on Gas, Electricity, Water and furnishing shall be valued as per Income Tax Rules, 1962 and will be subject to ceiling of 10% of the Salary.

2. **Medical Reimbursement:**

For self and family subject to a ceiling of one months salary in a year or three months salary over a period of three years.

3. **Leave Travel Concession:-**

For self and family once in a year incurred in accordance with the rules specified by our Company.

4. **Club Fees:**

Fees of clubs subject a maximum of two clubs will be allowed. This will not include admission and life membership fees.

5. **Personal Accident Insurance:**

Of an amount, the annual premium of which not to exceed Rs. 1000/- for the purpose of this category, "Family" means the spouse, the dependent children and dependent parents.

Category 'B'

1. Company's contribution to provident fund shall be as per the provisions of P.F. Rules.

2. **Super Annuation/Annuity Fees:**

Company's contribution to super annuation / annuity fund shall be in accordance with the scheme of the company.

Contribution to Provident Fund, Superannuation Fund, Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act,

3. **Gratuity:**

As per the rules of our Company, payable in accordance with the approved fund at the rate of half a months salary for each completed year of service subject to the ceiling of Rs. 350000/-.

Category 'C'

1. **Car:**

Provision of car for use on company's business. Use of car for private purpose shall be billed by the company.

2. **Telephone:**

Telephone at residence. Personal long distance calls shall be billed by our Company.

Mr. Nitin Nolakha, Executive Director

Mr. Nitin Nolakha was re-appointed as the Executive Director of our Company for a period of five years with effect from 10th October, 2001 vide Ordinary Resolution passed at the Extraordinary General Meeting of the Company held on 31st January, 2003. The terms of the said resolution re-appointing Mr. Nitin Nolakha as Executive Director are as stated hereunder:

A. Remuneration:

1. Salary per month Rs. 12000.00 with an annual increase of Rs. 1500.00 thereafter.

2. Commission

Not more than 1% of the net profit of the company as computed in the manner laid down in section 309 (5) of the Companies Act., 1956 as approved by the Board, subject to 50% of the Annual Salary.

3. Perquisites:

In addition to the salary and commission Shri Nitin Nolakha shall be entitled to the following perquisites which, shall be restricted to an amount equal to the salary of six months. Perquisites are classified into three categories A, B and C as follows:-

CATEGORY 'A'

1. **Housing I:** The expenditure incurred by the company on hiring unfurnished accommodation for him shall be subject to a ceiling, namely (for residence in Delhi/outside Delhi) 60% of the salary, over and above 10% payable to him.

Housing II: In case accommodation is owned by our Company, 10% of the salary shall be deducted by the company.

Housing III: In case, no accommodation is provided by our Company, a house rent allowance subject to a ceiling laid down in housing I shall be paid.

2. Medical Reimbursement:

For self and family subject to a ceiling of one months salary in a year or three months salary over a period of three years.

3. Leave Travel Concession:

For self and family once in a year incurred in accordance with the rules specified by the company.

4. Club Fees:

Fees of club subject to a maximum of two clubs will be allowed. This will not include admission and Life Membership Fees.

5. Personal Accident Insurance:

Of an amount, the annual premium of which not to exceed Rs. 1000.00 For the purpose of this category "Family" means the spouse, the dependent children and dependent parents.

CATEGORY 'B'**1 Provident Fund:**

Company's contribution to provident fund shall be as per the scheme of our Company.

2. Super Annuation/ Annuity Funds:

Company's contribution to super annuation/ annuity fund shall be in accordance with the scheme of the company.

Contribution to provident fund, super annuation fund, Annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

3. Gratuity:

As per the rules of our Company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service subject to the ceiling of Rs. 25000.00

CATEGORY 'C'

1. Car:

Provision of car for use on Company's business. Use of car for private purpose shall be billed by our Company.

2. Telephone:

Telephone at residence. Personal long distance calls shall be billed by our Company."

CORPORATE GOVERNANCE

Our Company has already taken necessary steps to implement the provisions of the Corporate Governance in accordance with the provisions of the Companies Act, SEBI Guidelines and the Listing Agreement to be entered into by our Company with the Stock Exchanges for the purposes of listing of our Equity Shares, specially with respect to broad basing of Board, constituting of committees etc. The constitution of our Board of Directors is in compliance with the said provisions and it has the necessary committees in place in compliance with the said provisions:

- Audit Committee
- Remuneration Committee
- Investor's Grievance Committee
- Share Transfer Committee
- Project Monitoring Committee

Composition of Board of Directors:

Board Structure:

Sr. No.	Name of the Director	Designation	Nature of Directorship	Date of Expiry of Terms
1	Mr. R. L. Nolkha	Chairman & Managing Director	Executive	05.09.07
2	Mr. Dinesh Nolkha	Managing Director	Executive	31.12.05
3	Mr. Nitin Nolkha	Executive Director	Executive	09.10.06
4	Mr. Bhagwan Ram	Director	Non Executive and Independent Director	N.A.
5	Mr. Y. R. Shah	Director	Non Executive and Independent Director	N.A.
6	Dr. S. K. Sharma	Director	Non Executive and Independent Director	N.A.
7	Mr. B. P. Singh	IDBI Nominee Director	Non Executive and Independent Director	N.A.

Audit Committee

The Audit Committee was constituted at a Board Meeting held on 15th May, 2001. The Audit Committee provides directions to and reviews functions of the Audit department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. quarterly and annual accounts are placed before the Audit Committee, prior to being presented to our Board along with the recommendations of the Audit Committee.

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement, which will be entered into with the Stock Exchanges in due course. The committee consists of two non-executive as well as Independent Directors, and one Executive Director. The Chairman of the Audit Committee is a Non-Executive Director.

Composition of Audit Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Bhagwan Ram	Chairman	Independent & Non Executive
2	Mr. Y.R. Shah	Member	Independent & Non Executive
3	Dr. S. K. Sharma	Member	Independent & Non Executive
4	Mr. T. K. Jain	Company Secretary & Compliance Officer	Secretary of the Committee

The terms of reference of the Audit Committee are given below:

- To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and to review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems.
- To oversee our financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussions with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussions with external auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- Reviewing our financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors, if any.

Remuneration Committee

The Remuneration Committee was constituted at a Board Meeting held on 03rd June 2005. The function of Remuneration Committee is to recommend the remuneration of all executive director(s) of our Company after reviewing their performance

Composition of the Remuneration Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Y. R. Shah	Member	Independent & Non Executive
2	Mr. Bhagwan Ram	Member	Independent & Non Executive
3	Dr. S. K. Sharma	Member	Independent & Non Executive

Investor's Grievance Committee

We have designated personnel to solve investors' problems along with our Share Transfer Agents, Bigshare Services Private Limited. The Investor's Grievance Committee was constituted at a Board Meeting held on 03rd June, 2005. The Investors Grievances Committee looks into redressal of shareholder and investor complaints, issue of duplicate/split/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities.



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Composition of the Investor's Grievance Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1	Dr. S. K. Sharma	Member	Independent & Non Executive
2	Mr. Y. R. Shah	Member	Independent & Non Executive
3	Mr. Nitin Nolkha	Member	Executive
4	Mr. T. K. Jain	Company Secretary & Compliance Officer	Compliance Officer

Share Transfer Committee

The Share Transfer Committee was constituted at a Board Meeting held on 03rd June, 2005. There are no separate terms of reference for the Share Transfer Committee. However, the resolution constituting the Investor's Grievance Committee authorizes Mr. T. K. Jain, Finance Manager and Company Secretary of our Company, to oversee the performance of the Registrar & Share Transfer Agent (of the Company) and submit report to the Committee for their approval.

Composition of Share Transfer Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1.	Mr. Dinesh Nolkha	Member	Executive
2.	Mr. Nitin Nolkha	Member	Executive
3.	Dr. S. K. Sharma	Member	Independent & Non Executive

Project Monitoring Committee

The Project Monitoring Committee was constituted at a Board Meeting held on 10th September 2005 in compliance to the IDBI term loan sanction letter no. JPBO/1451/CFD(NSL) dated 24th May, 2005. The Project Monitoring Committee supervises and monitors the project implementation as appraised by the IDBI and put up the progress of implementation along with the recommendations to our Board.

Composition of Project Monitoring Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1	Sh. R. L. Nolkha	Member	Executive Director
2	Sh. B. P. Singh	Member	IDBI Nominee Director
3	Sh. S. K. Sharma	Member	Non Executive & Independent Director

These terms of reference of the Project Monitoring Committee are given below:

- To supervise and monitor the progress in the implementation of the project.
- To take necessary steps as per implementation schedule of the project.
- To ensure overall management of the project during construction period, include civil tendering, placement of orders for supply of plant & machinery and other assets.
- To properly evaluate the strength of machinery suppliers in terms of their past record, commitment and adherence to time schedule.
- To keep interest of our Company intact while placing the purchase order with the suppliers.
- To meet the deadline of project cost as approved.

POLICY ON DISCLOSURES AND INTERNAL PROCEDURE FOR PREVENTION OF INSIDER TRADING

We will comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of company's shares on the Stock Exchanges. Mr. T. K. Jain, our Company Secretary & Finance Manager is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of our Board.

Shareholding of the Directors in our Company

Sr. No.	Name of the Director	Number of Shares
1	Mr. R. L. Nolkha	41,25,000
2	Mr. Dinesh Nolkha	7,89,500
3	Mr. Nitin Nolkha	14,65,000
4	Mr. Bhagwan Ram	Nil
5	Mr. Y. R. Shah	Nil
6	Dr. S. K. Sharma	Nil
7	Mr. B. P. Singh	Nil

INTEREST OF DIRECTORS

Except as stated in the "Related Party Disclosures" beginning on page 140 of this Red Herring Prospectus, all our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of our Board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them in accordance with the provisions of the Companies Act and in terms of the Articles.

The Directors may also be regarded as interested in the shares, if any, held by them or that may be subscribed by and allotted/transferred to the companies, firms and trusts and other entities in which they are interested as Directors, members, partners, trustees or otherwise. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Nitin Spinners with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Interest as to Property: Our Company has taken two premises on rent, one from Redial Trading & Investment Private Limited (its Promoter) and one from R. L. Nolkha (HUF), whose Karta is Mr. R. L. Nolkha, our Chairman and Managing Director. The premises rented from Redial Trading & Investment Pvt. Ltd. is being used as the city office of our Company, while the premises belonging to R. L. Nolkha (HUF) is being used as a guesthouse.

Sr. No.	Details of Agreement, if any	Description of Premises	Consideration/Rent
1.	No written contract has been entered into. Oral Rent Agreement between R.L. Nolkha (HUF) and Nitin Spinners Limited.	6-A-1, New Housing Board, Shastri Nagar, Bhilwara admeasuring 1920 square feet	Rs. 5000/- per month. Security deposit: Nil
2.	No written contract has been entered into. Oral Rent Agreement between Redial Trading & Investment Pvt. Ltd. and Nitin Spinners Limited.	201-202, Om Textile Tower, Pur Road, Bhilwara admeasuring 1020 square feet	Rs. 9500/- per month Security deposit: Nil

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.



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Directors Remuneration (including sitting fees) for the half year ended September 30th , 2005

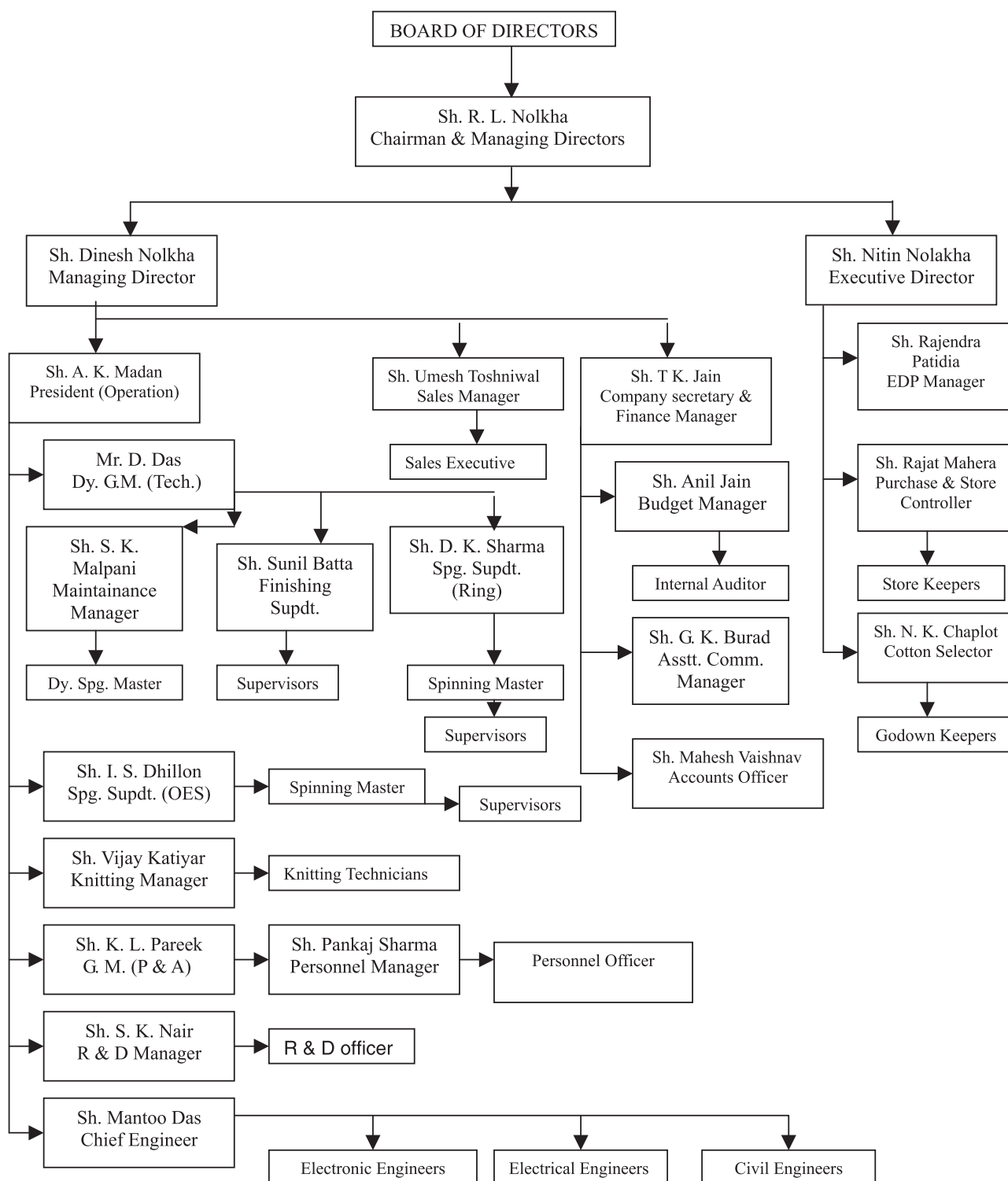
Sr. No.	Name of Director	Sitting Fees	Salaries / Perquisites	Commission	Total
1	Mr. R. L.. Nolkha	Nil	2,81,910	-	2,81,910
2	Mr. Dinesh Nolkha	Nil	1,81,717	-	1,81,717
3	Mr. Nitin Nolakha	Nil	1,26,570	-	1,26,570
4	Mr. Bhagwan Ram	5,000	-	-	5,000
5	Dr. S. K. Sharma	5,000	-	-	5,000
6	Mr. Y. R. Shah	4,000	-	-	4,000
7.	Mr. B.P.Singh*	1,000	-	-	1,000
	Total	15,000	5,90,197	-	6,05,197

* - Since Mr. B.P.Singh was appointed as IDBI nominee Director with effect from August 31, 2005, no sitting fees or other remuneration were payable to him for the year ending March 31, 2005.

Changes in our Board of Directors during the last three years

Sr. No.	Name of the Director	Date of Appointment	Date of Resignation	Reason
1	Mr. Y. R. Shah	24.02.05	—	—
2	Mr. O. P. Garg	—	20.02.05	Resignation
3	Mr. Suresh Garg	—	20.02.05	Automatic vacation as he was Alternate Director to Mr. O.P. Garg
4	Mr. B. P. Singh	31.08.2005	—	IDBI Nomination

MANAGEMENT ORGANISATION STRUCTURE





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KEY MANAGEMENT PERSONNEL

Sr. No.	Name	Designation	Age (yrs)	Qualification	Date of Joining	Experience in years	Functional Responsibility	Previously Employed with
1.	Mr. R. L. Nolkha	Chairman & Managing Director	59	F.C.A., F.C.S., F.I.C.W.A.	06.09.97	30	Looking after the policy matter of our Company and guiding the management in attaining the objectives of the company.	BSL Ltd. As a Managing Director
2.	Mr. Dinesh Nolkha	Managing Director	34	F.C.A., A.I.C.W.A.	1993	13	Looking after the day to day affairs of our Company and managing the operations of our Company.	NIL
3.	Mr. Nitin Nolakha	Executive Director	29	MBA (Marketing)	10.10.01	6	Looking after the day to day affairs of procurement and I.T. department.	NIL
4.	Mr. Awtar Krishan Madan	President (Operations)	55	Bachelor in Textile Technology	10.06.05	32	Plant Head and Overall functions of the plant	GPI Textiles Ltd., Nalagarh
5.	Mr. D. Das	G.M. (Technical)	46	M. Text. From TIT, Bhiwani	30.06.05	25	Head of Production and Maintenance Dep. And reporting to President	Krishna Industries, Bhilad
6.	Mr. K.L. Pareek	G.M. (P & A)	55	B.A. & M.S.W.	23/07/05	31	Head of Personnel & Administration	BSL Ltd. Bhilwara
7.	Mr. M. Das	Chief Engineer	48	Diploma in Electrical Engineering	17.11.01	31	Head of Engineering Department	Bhilwara Spinners Ltd.
8.	Mr. S.K. Malpani	Manager (Maintenance)	60	Diploma in Elec. / Mechanical Engg.	09.10.00	35	Looking after maintenance of all plants	Bhilwara Spinners Ltd.
9.	Mr. T.K. Jain	Company Secretary & Finance Manager	43	A.C.A., A.C.S.	06.10.01	17	Looking after Finance, accounts and Company Law matters	Rolex Processors Pvt. Ltd., Bhilwara
10.	Mr. Sudhir Kumar Nair	Manager (R&D)	36	Diploma in Textile Technology	03.03.05	16	Incharge Quality Control Deptt. & Head of R&D	Sanghi Spinners India Ltd. Hyderabad
11.	Mr. Anil Jain	Manager (Budget)	37	B.Com.	04.11.00	16	Incharge of Budgeting and MIS.	Bhilwara Spinners Ltd., Bhilwara.
12.	Mr. Umesh Toshniwal	Sales Manager	33	B.Com.	01.04.93	12	Looking after the marketing and sales activities	NIL
13.	Mr. Pankaj Sharma	Personnel Manager	34	M.A. (Economics), Diploma in PM & I R, L.L.B.	01.09.05	11	Incharge of Personnel Department & Time Office	Girnar Fibers Ltd., Pithampur, Distt. Dhar

Sr. No.	Name	Designation	Age	Qualification	Date of	Experience	Functional	Previously
14.	Mr. Vijay Kumar Katiyar	Manager (Knitting)	28	Diploma in Textile Technology	19.10.02	06	In-charge of Knitting section	Ginni Filaments Ltd., Mathura
15.	Mr. Rajat Mehra	Manager (Stores & Purchase)	34	M.Com. & Diploma in Material Management	01.09.01	15	In charge of Purchase & Stores	Alpine Industries Ltd., Neemuch
16.	Mr. I. S. Dhillon	Spinning Spdt. (OES)	39	Diploma (Spinning)	09.07.05	19	Head of Production and Maintenance department of O.E. Plant	Maharaja Shree Umaid Mills

Brief Profile of our Key Managerial Personnel

The brief profile of our Executive Directors is mentioned on page 33 under sub-heading “Brief Profile (Executive Directors)” of this Red Herring Prospectus.

The brief profile of our other key managerial personnel is mentioned hereunder:

Mr. Awtar Krishan Madan, President (Operations)

Mr. Awtar Krishna Madan, aged 55 years, has 32 years of experience. He is a Bachelor in Textile Technology. He has worked with Modi Thread Mills Ltd., Kotkapura Co-op.Spg. Mills Ltd. as Spinning Master, in G.S. Spinning Mills Ltd. as Factory Manager, in Cimmco Spinners Ltd. as Chief Manager, in Arunodaya Mills Ltd. as Dy. G.M., in Ginni International Ltd. as General Manager (Prodn.), and in GPI Textiles Ltd., Nalagarh as a Vice President (Operations). He joined us in June 2005 and is currently President (Operations). He heads the operations of the plant and takes care of overall functioning of the Plant. His present annual compensation is Rs. 7.80 Lacs.

Mr. D. Das, General Manager (Technical)

Mr. D. Das, aged 46 years, has 25 years of experience. He is Master in Textiles. He has worked with Bombay Dyeing, Vardhaman Spg. & Gen. as a R&D officer, in BRPL as Dy. Manager, in Dewan Textile as General Manager (Tech.), in Ginni Filament Ltd. as a General Manager (Production) and in Krishna Industries Ltd., Bhilad as a Vice President. He joined us in June 2005 and is currently General Manager (Technical). He heads the Production and Maintenance Departments of our Company. His present annual compensation is Rs. 4.32 Lacs.

Mr. K.L. Pareek, General Manager (P & A)

Mr. K.L. Pareek, 55 years, has 31 years of experience. He is MSW with specialization in Labour Welfare and Personnel Management. He has worked with Mohta Electro Steel Ltd. as Labour & Welfare Officer, with Indian Aluminum Cables Ltd. as Asst. Labour Officer, at BSL Ltd. with additional charge in Bhilwara Processors Ltd. (Group Company) as Senior General Manager (Personnel and HR). He joined us in July 2005 as General Manager (Personnel & Administration). He is responsible for overall personal and HR management of our Company. His present annual compensation is Rs. 4.81 Lacs.

Mr. M. Das, Chief Engineer

Mr. M. Das, aged 48 years has over three decades of experience in textiles and other industries. He joined us in November 2001 and since then he has been the Head of the Engineering Department. He has a Diploma in Electrical Engineering and has worked with Gwalior Rayon, Bharat Commerce Industries, Piramal Spinning & Weaving Ltd, Shree Ram Mills Ltd and Bhilwara Spinners Ltd. His present annual compensation is Rs. 2.57 Lacs.

Mr. S.K. Malpani, Manager (Maintenance)

Mr. S. K. Malpani, aged 60 years, has over 35 years of experience in the textile industry to his credit. Before joining us in October 2000, he has worked with Narsingh Girji Mills, Rajasthan Spinning and Weaving Mills Ltd, BCI Ltd, HEG Ltd, Bhilwara Spinners Ltd. He is responsible for the overall maintenance of our Company's plants. He has a Diploma in Electrical and Mechanical Engineering. His present annual compensation is Rs. 3.47 Lacs.



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Mr. T. K. Jain, Finance Manager & Company Secretary

Mr. T. K. Jain, aged 43 years has over 17 years of experience in finance and accounts-related matters. He joined us in October 2001 and since then he has been handling finance and secretarial functions. He is a qualified Chartered Accountant and Company Secretary. He has previously worked with Himachal Fibres Ltd., Modern Syntex (I) Ltd., Alwar, J. K. Udaipur Udyog Ltd., A .K. Spintex Ltd. and Rolex Processors Pvt. Ltd. in various capacities. His present annual compensation is Rs. 3.03 Lacs.

Mr. Sudhir Kumar Nair, Manager (R&D)

Mr. Sudhir Kumar Nair, aged 36 years had 16 years of experience before joining us in March 2005. He has a Diploma in Textile Technology, and has worked with Patspin India Ltd, M/s Reflex Textiles, Prerna Syntex, Precot Mills Ltd and Sanghi Spinners (India) Ltd. He is Head of Department of Research and Development and looks into Quality Control which plays an important role in exports of our Company. His present annual compensation is Rs. 2.71 Lacs.

Mr. Anil Jain, Manager (Budget)

Mr. Anil Jain, aged 37 years, is commerce graduate. He has more than 16 years of experience in organizations like Modern Threads (India) Ltd., R.S.W.M Ltd. and Bhilwara Spinners Ltd. He joined us in November 2000 and looks after the Budget and MIS departments. His present annual compensation is Rs. 2.47 Lacs.

Mr. Umesh Toshniwal, Sales Manager

Mr. Umesh Toshniwal, aged 33 years has been working in our company for the last 12 years. He joined us immediately after his graduation (Bachelors of Commerce from Rajasthan in April 1993). Mr. Toshniwal is presently responsible for the overall marketing activities undertaken by our company. He handles both exports and imports of our Company. His present annual compensation is Rs. 2.38 Lacs.

Mr. Pankaj Sharma, Personnel Manager

Mr. Pankaj Sharma aged 34 years, has 11 years of experience. He is M.A.(Economics), Diploma holder in Personnel Management & Industrial Relations and also L.L.B. He started his career as Trainee Labour Officer with Dewan Textiles and left as Personnel Officer. He then joined M/s Girnar Fibres Ltd. as Dy. Manager (Personnel & Administration). He joined us on 1st September, 2005 and is currently Personnel Manager. His present annual compensation is Rs. 2.10 lacs.

Mr. Vijay Kumar Katiyar, Manager (Knitting)

Mr. Vijay Kumar Katiyar, aged 28 years, has a Diploma in Textile Technology. He has 6 years of experience in organizations like Nahar Garment in Ludhiana and Ginni Filaments Ltd in Mathura before he joined us in October 2002. He is the manager of the Knitting section and is responsible for the overall operations of the department and helps in budgeting top and bottom line revenues for our company. His present annual compensation is Rs. 1.95 Lacs.

Mr. Rajat Mehra, Manager (Stores and Purchase)

Mr. Rajat Mehra, aged 34 years, has 15 years of experience and has various qualifications like Masters in Commerce and Diploma in Material Management. He has worked with O. P. Maheshwari & Co., Toshniwal Instruments Pvt. Ltd., Rajasthan Spinning and Weaving Mills Ltd and Alpine Industries Ltd. He joined us in September 2001 and has been the Head of Department of Stores and Purchase and keeps a check on cost and inventory control. His present annual compensation is Rs. 1.68 Lacs.

Mr. I.S. Dhillon, Spinning Spdt. (OES)

Mr. I. S. Dhillon, aged 39 years, has 19 years of experience in this field and has a Diploma in Spinning. He has worked with various concerns like Punjab Fibre Ltd. Ropar as Shift Officer, Arihant Spg. Mills as Dy. Spg. Master, Gotermann Peiper (I) Ltd. as Asstt. Manager Production and, Maharaja Shree Umaid Mills as Dy. Supdt. (Spinning). He Heads the Production and Maintenance department of the O.E. Plant. His present annual compensation is Rs. 2.28 Lacs.

Shareholding of Key Managerial Personnel

Except for Mr. R.L. Nolkha, Mr. Dinesh Nolkha and Mr. Nitin Nolkha, none of the Key Managerial Personnel in our Company hold any shares of our Company as on the date of filing of this Red Herring Prospectus with SEBI.

Bonus or Profit Sharing Plan

There is no fixed or certain bonus or profit sharing plan for the Key Managerial Personnel.

Changes in the Key Managerial Personnel during last 3 years

Sr. No.	Name	Designation	Date of appointment	Date of Leaving	Reason
1	Mr. K. G. Kuty	Technical Manager	—	11.10.2004	Resignation
2	Mr. D. K. Sharma	SQC Manager	—	15.10.2004	Resignation
3	Mr. K. P. Shankar	D.G.M. Technical	—	15.06.2005	Resignation
4	Mr. Arvind Agarwal	Spinning Manager (OES)	—	16.06.2005	Resignation
5	Mr. S. K. Nair	Manager R & D	03.03.2005	—	Appointment
6	Mr. A. K. Madan	President Operations	10.06.2005	—	Appointment
7	Mr. D. Das	G. M. Technical	30.06.2005	—	Appointment
8	Mr. I. S. Dhillon	Spinning Supdt. (OES)	09.07.2005	—	Appointment
9	Mr. K. L. Pareek	General Manager (Personnel & Administration)	23.07.2005	—	Appointment
10	Mr. J. C. Mod	Personnel Manager	—	31.08.2005	Resignation
11	Mr. Pankaj Sharma	Personnel Manager	01.09.2005	—	Appointment

Notes:

1. All the Key Managerial Personnel are permanent employees of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
3. Except for Mr. R L Nolkha, Mr. Dinesh Nolkha and Mr. Nitin Nolkha, none of our directors and key managerial personnel have any relations amongst them.

Employees

The details about our employees are appearing under section entitled “Manpower” beginning on page 89 of this Red Herring Prospectus.

ESOP/ESPS Scheme to Employees

Presently, we do not have ESOP/ESPS scheme for employees.

Payment or Benefit to Our Officers

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment or engagement, and dividend, if any declared on the Equity Shares, if any held by our officers, we have not paid any amount or given any benefit to any officer of our Company, nor is such amount or benefit intended to be paid or given to any officer as on the date of filing this Red Herring Prospectus with SEBI.

OUR PROMOTERS AND THEIR BACKGROUND

Individual Promoters



MR. R. L. NOLKHA, CHAIRMAN & MANAGING DIRECTOR

Voter ID No.: RJ/20/153/414093

Driving License No.: 2569

Mr. R. L. Nolkha, aged 59 years, is one of our key Promoters. He is a Chartered Accountant, Company Secretary and Cost & Works Accountant by qualification. He is the Chairman & Managing Director of our Company and has been on our Board since inception of our Company, that is, since 1992. He has experience of more than 3 decades in the textile industry. He started his career in 1969 with Zenith Limited, a Birla Concern and was also associated with Aditya Mills Ltd. and Surya Roshini Ltd. before joining Bhilwara Group (LNJ) in 1976. He was the Managing Director of BSL Limited for 8 years before becoming Whole-time Director of Nitin Spinners Limited in the year 1997.

He is a member of several industry associations and chambers. He was the President of Mewar Chamber of Commerce & Industry twice, first in the years 1987-1989 and again in the year 1998-1999. He was also Vice Chairman of the Northern India Textile Research Association in the year 2003. He has been awarded with "Udyog Patra" in the year 2003. He is a co-opted member of Northern India Regional Council of Institute of Company Secretaries of India, New Delhi. He is presently incharge of finance, macro management and strategic matters of our Company.



MR. DINESH NOLKHA, MANAGING DIRECTOR

Voter ID No.: RJ/20/153/414240

Driving License No.: 3756BHL

Mr. Dinesh Nolkha, aged 34 years is one of our key Promoters. He is a Chartered Accountant and Cost & Works Accountant by qualification. He is elder son of Mr. R. L. Nolkha. Mr. Dinesh Nolkha is the Managing Director of our Company and has been on our Board since inception of our Company, that is, since 1992.

He established our Company in year 1992 and is involved in setting-up all the projects of our Company and managing our day-to-day operations. He has gained experience in all aspects of operations viz. raw material procurement, marketing, plant operations, finance and administration. Presently, he monitors the day-to-day operations, marketing, exports and expansion projects. He has a total experience of 13 years.



MR. NITIN NOLAKHA, EXECUTIVE DIRECTOR

Voter ID No.: RJ/20/153/414095

Driving License No.: 22483

Mr. Nitin Nolakha, aged 29 years, is one of our Promoters. He is Master of Business Administration (Marketing) by qualification from the University of Indore in the year 1998. He is the younger son of Mr. R. L. Nolkha. Mr. Nitin Nolakha is an Executive Director of our Company

He has been associated with our Company for last five years. After initial grooming in all operational activities of our Company, he is presently responsible for procurement / purchases and operations of our plant. He has a total experience of 7 years.

We hereby confirm that the Permanent Account Numbers, Bank Account Numbers and Passport Numbers of our Promoters have been submitted to the Stock Exchanges, on which we propose to list our Equity Shares at the time of filing of this Red Herring Prospectus.

Corporate Promoters

Redial Trading & Investment Private Limited

Redial Trading & Investment Private Limited was incorporated under the Companies Act, 1956 on 27th May, 1993 with the Registrar of Companies, Maharashtra. The registered office of the company is situated at J-15/15, Jal Mandir Society Bangur Nagar, Goregaon (West), Mumbai - 400 090 in the State of Maharashtra. The main activities of the company are, inter alia, trading and investment in cotton and cotton waste and investment activities.

The Company was incorporated by Mr. Ramkishor Baheti and Mr. Ram Niwas Daliya. On 21st September, 1994 the Company was acquired by Mr. R. L. Nolkha. The existing promoters of Redial Trading & Investment Private Limited are Mrs. Sushila Devi Nolkha, Mr. R. L. Nolkha and Mr. Dinesh Nolkha. Their brief profile is as under:

Mrs. Sushila Devi Nolkha

Mrs. Sushila Devi Nolkha, aged 54 years is the wife of Mr. R. L. Nolkha, Chairman & Managing Director of our Company. She is presently Director in Dolphin Carrier Pvt. Ltd. She is Matriculate by qualification.

For brief profile of Mr. R. L. Nolkha and Mr. Dinesh Nolkha please refer to the section titled "Our Promoters and their background" appearing on page 118 of this Red Herring Prospectus

The Board of Directors of the company comprises as under:

Name of the Director	Designation
Mr. R. L. Nolkha	Director
Mr. Dinesh Nolkha	Director

Shareholding pattern of Redial Trading & Investment Pvt. Ltd. is as under:-

Name of the Shareholder	No. of shares held	% of total share capital
Mr. R. L. Nolkha	13,250	6.63
Mr. Dinesh Nolkha	10,150	5.08
R. L. Nolkha (HUF)	38,600	19.30
Mr. Nitin Nolkha	29,500	14.75
Ms. Sushila Devi Nolkha	85,000	42.50
Mr. Ramesh Chand Kabra	5,000	2.50
Mr. Jagdish Patel	5,000	2.50
Natwar N. Patel (HUF)	3,500	1.75
Mr. Suresh G. Patel	5,000	2.50
Mr. Suresh N. Patel	5,000	2.50
Total	2,00,000	100.00

Brief Financial performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31 st		
	2003	2004	2005
Equity Capital	20.00	20.00	20.00
Reserves (excluding Revaluation Reserve)	47.36	47.33	48.40
Net worth	67.36	67.33	68.40
Total Income	54.63	2.57	22.85
PAT	0.06	(-) 0.03	1.07
EPS per Share of Rs.10 (Rs.)	0.03	NIL	0.54
NAV per Share of Rs.10 (Rs.)	33.68	33.66	34.20



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There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is not under winding up.

Prasham Corporate Services (India) Private Limited

Prasham Corporate Services (India) Private Limited was incorporated under the Companies Act, 1956 on 28th June, 2004 with the Registrar of Companies, Rajasthan. The registered office of the company is situated at C/o G. D. Maheshwari & Co., Bazar No. 6, Ramganj Mandi, Dist. Kota (Rajasthan) in the State of Rajasthan. The company has been incorporated with the objective of providing corporate services, advising investment portfolio services to the corporate clients, etc.

The Company was promoted by Mr. Nitin Nolkha and Mrs. Krishna Nolkha. The existing promoters of Prasham Corporate Services (India) Private Limited are Mr. Nitin Nolkha, Mrs. Krishna Nolkha, Greenfield Securities Pvt. Ltd. and Dolphin Carrier (P) Ltd. Their brief profile is stated as under:

For brief profile of Mr. Nitin Nolkha please refer to the section titled "Our Promoters and their background" appearing on page 118 of this Red Herring Prospectus.

Mrs. Krishna Nolkha, aged 34 years is the wife of Mr. Dinesh Nolkha, Managing Director of our Company. She is a Chartered Accountant by qualification and is presently Director in Prasham Corporate Services (India) Pvt. Limited.

For brief profile of Greenfield Securities Pvt. Ltd. and Dolphin Carrier Pvt. Ltd. please refer to the section titled "Our Group Concerns" appearing on page 143 of this Red Herring Prospectus

The Board of Directors of the company comprises as under:

Name of the Director	Designation
Mr. Nitin Nolkha	Director
Mrs. Krishna Nolkha	Director

Shareholding pattern of the company is as below:

Name of the Shareholder	No. of Shares	% of Holding
Mr. Nitin Nolkha	5,000	2.62%
Mrs. Krishna Nolkha	5,000	2.62%
Plusjet Finvest Pvt. Ltd.	4,000	2.09%
Pushpak Deacom (P) Ltd.	3,200	1.68%
Wondermax Tracon Pvt. Ltd.	2,800	1.47%
Signat Vyapaar (p) Ltd.	2,000	1.05%
Multi Trans (P) Ltd.	2,000	1.05%
Vikhyat Goods & Supply (P) Ltd.	2,000	1.05%
Dehrrar Textiles Pvt. Ltd.	2,000	1.05%
Quantum Impex Pvt. Ltd.	2,000	1.05%
Dico Transport Corporation Ltd.	2,000	1.05%
Bhandari Financial Services P. Ltd.	2,000	1.05%
Admire Vinimay Pvt. Ltd.	2,000	1.05%
Greenfield Securities Pvt. Ltd.	86,000	45.03%
Dolphin Carrier (P) Ltd.	69,000	36.13%
Total	191,000	100.00%

Brief Financial performance:
(Rs. in Lacs)

Particulars	For the Financial Year ended March 31 st 2005
Equity Capital	1.00
Reserves (excluding Revaluation Reserve)	0.68
Net worth	1.49
Business Income	2.73
PAT	0.68
EPS per Share of Rs.10 (Rs.)	6.82
NAV per Share of Rs.10 (Rs.)	14.96

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the company, or its promoters and directors.

The company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is not under winding up.

We hereby confirm that the Permanent Account Numbers, Bank Account Numbers, company registration numbers and the addresses of the Registrar of Companies where these companies are registered have been submitted to the Stock Exchanges, on which we propose to list our Equity Shares at the time of filing of this Red Herring Prospectus.

COMMON PURSUITS

There are currently no common pursuits between our Company and our Promoters (both individual Promoters and corporate Promoters) and between our Company and any of our group companies.

INTEREST OF PROMOTERS

Except as stated in the "Related Party Disclosures" beginning on page 140 of this Red Herring Prospectus, all our individual Promoters, being Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of our Board or Committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them for services rendered to us in accordance with the provisions of the Companies Act and in terms of the Articles.

Further, the Promoters are interested to the extent of equity shares that they are holding and or allotted to them out of the present Issue, if any, in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Our individual Promoters hold shares or other stake in our corporate Promoters and group companies in addition to other entities, and may be deemed to be additionally interested in any agreement or arrangement entered or to be entered into or to be entered into by our Company with our corporate promoters or group companies or such other entities, and if dividend, if any, is payable to our corporate promoters or group companies or other entities by virtue of their shareholding in our Company.

Interest as to Property: Our Company has taken two premises on rent, one from Redial Trading & Investment Private Limited (its corporate Promoter) and one from R.L. Nolkha (HUF), whose Karta is Mr. R. L. Nolkha, our Promoter and Chairman and Managing Director. The premises rented from Redial Trading & Investment Pvt. Ltd. is being used as the city office of our Company, while the premises belonging to R.L. Nolkha (HUF) is being used as a guesthouse.

Sr. No.	Details of Agreement, if any	Description of Premises	Consideration / Rent
1.	No written contract has been entered into. Oral Rent Agreement between R.L. Nolkha (HUF) and Nitin Spinners Limited.	6-A-1, New Housing Board, Shastri Nagar, Bhilwara admeasuring 1920 square feet	Rs. 5000/- per month. Security deposit: Nil
2.	No written contract has been entered into. Oral Rent Agreement between Redial Trading & Investment Pvt. Ltd. and Nitin Spinners Limited.	201-202, Om Textile Tower, Pur Road, Bhilwara admeasuring 1020 square feet	Rs. 9500/- per month Security deposit: Nil



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Except as stated in sections titled “Our Promoters and their background” and “Our Management” in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made or benefits provided to them in respect of these contracts, agreements or arrangements. Further, there are no such payments or benefits which are intended to be made or provided to them.

PAYMENT OR BENEFIT TO OUR PROMOTERS

Mr. R. L. Nolkha, Chairman & Managing Director

For details of payments or benefits paid to Mr. R. L. Nolkha please refer to paragraph “Compensation to Managing Directors / Wholetime Directors” in the section titled “Our Management” beginning on page no. 103 of this Red Herring Prospectus.

Mr. Dinesh Nolkha, Managing Director

For details of payments or benefits paid to Mr. Dinesh Nolkha please refer to paragraph “Compensation to Managing Directors / Wholetime Directors” in the section titled “Our Management” beginning on page no. 103 of this Red Herring Prospectus.

Mr. Nitin Nolkha, Executive Director

For details of payments or benefits paid to Mr. Nitin Nolkha please refer to paragraph “Compensation to Managing Directors / Wholetime Directors” in the section titled “Our Management” beginning on page no. 103 of this Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

For details on Related Party Transactions refer to the section titled “Related Party Disclosures” beginning on page no. 140 of this Red Herring Prospectus.

CURRENCY OF PRESENTATION

In this Red Herring 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” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Red Herring Prospectus are to the legal currency of India.

DIVIDEND POLICY

Dividends may be declared at the Annual General Meeting of the Shareholders based on a recommendation by our Board of Directors. Our Board of Directors may recommend dividends, at their discretion, to be paid to the members. Generally the factors that may be considered by our Board, but not limited to, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions.

FINANCIAL STATEMENTS

Auditor's Report

The Board of Directors,
 Nitin Spinners Limited,
 16-17 Km, Chittor Road,
 Hamirgarh,
 Bhilwara.

- A. a) We have examined the annexed financial information of Nitin Spinners Limited ("the Company") for the five financial years ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and for the half year ended 30th September, 2005 being the last date to which the accounts of the Company have been made up and audited by us. The financial statements for the half year ended 30th September, 2005 is approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the Initial Public Offer of Equity Shares in the Company (referred to as 'the Issue').
- b) In accordance with the requirements of
- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
 - (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ("the SEBI Guidelines") issued by Securities and Exchange Board of India ("SEBI") on January, 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments, and
 - (iii) Our terms of reference with the Company dated May 30, 2005 and 19th October, 2005 requesting us to make this report for the purpose of inclusion in the Offer Document to be issued by the Company in connection with the Initial Public Offer of its Equity Shares. The financial information has been prepared by the Company and approved by the Board of Directors of the Company and audited by us.
- We report that the restated assets and liabilities of the Company as at 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 30th September, 2005 are as set out in "Annexure 1" to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in "Annexure 3" and Notes to the Statement of Assets & Liabilities and Profit & Loss Account appearing in "Annexure 4" to this report.
- We report that the restated profits of the Company for the financial years ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and for the half year ended 30th September, 2005 are as set out in "Annexure 2" to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in "Annexure 3" and Notes to the Statement of Assets & Liabilities and Profit & Loss Account appearing in "Annexure 4" to this report.
- B. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by the Board of Directors of the Company and annexed to this report.
- i. Statement of Cash Flow as appearing in "Annexure 5" to this report;
 - ii. Accounting Ratios as appearing in "Annexure 6" to this report;
 - iii. Statement of Unsecured Loans taken including that from related parties enclosed as "Annexure 7" to this report;
 - iv. Statement of Debtors including the related party debtors enclosed as "Annexure 8" to this report;
 - v. Details of loans and advances showing the same with the Related Parties as appearing in "Annexure 9" to this report;



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- vi. Statement of Tax Shelters as appearing in “Annexure 10” to this report;
 - vii. Statement of Dividend as appearing in “Annexure 11” to this report;
 - viii. Capitalisation Statement as appearing in “Annexure 12” to this report;
 - ix. Statement of Secured Loans as appearing in “Annexure 13” to this report;
 - x. Details of Contingent Liabilities as appearing in “Annexure 14” to this report;
 - xi. Statement of Related Party transactions as appearing in “Annexure 15” to this report;
 - xii. Details of qualifications appearing in the Audit Report as given in “Annexure 16” to this report;
 - xiii. Details of changes in Significant Accounting Policies as given in “Annexure 17” to this report;
 - xiv. We hereby confirm that the Company’s other income does not exceed 20% of its total income for the half year ended 30th September, 2005.
- C. a) In our opinion the financial information of the Company as stated in Para A and above read with Significant Accounting Policies enclosed in “Annexure 3” to this report, after making adjustments/restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Statements, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
- b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the Initial Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **R. S. Dani & Co.**
Chartered Accountants

Ashok Mangal
Partner
M. No. 71714

Place : Bhilwara
Date : 20-10-2005

Statement of Assets & Liabilities (As Restated)

(Rs. in Lacs)

S.No.	Particulars	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
A	Fixed Assets						
	Gross Block	2168.13	7054.43	7151.67	7145.91	11028.79	11098.33
	Less : Depreciation	858.46	1059.43	1687.86	2306.94	2961.03	3437.84
	Net Block	1309.67	5995.00	5463.81	4838.97	8067.76	7660.49
	Capital Work in Progress	3694.74			2537.08		449.73
	Total	5004.41	5995.00	5463.81	7376.05	8067.76	8110.22
B	Investment	0.03	0.03	0.03	0.06	0.06	0.06
C	Current Assets, Loans & Advances						
	Inventories	962.50	1573.92	1833.61	1971.90	2833.12	2703.36
	Sundry Debtors	298.39	268.23	351.29	297.09	627.23	469.79
	Cash and Bank Balances	38.51	35.26	33.47	73.60	79.84	129.17
	Loans and Advances	217.30	203.14	220.98	502.24	543.89	764.78
	Total	1516.70	2080.55	2439.35	2844.83	4084.08	4067.10
D	Liabilities and Provisions						
	Secured Loans	3976.50	5390.92	5213.15	6651.11	8181.30	7388.86
	Unsecured Loans	94.50	88.09	69.36	60.36	51.08	
	Deferred Tax Liability (Net)			347.79	326.85	343.19	332.67
	Current Liabilities & Provisions	326.34	251.49	173.46	279.29	413.29	220.28
	Total	4397.34	5730.50	5803.76	7317.61	8988.86	7941.81
E	Net Worth (A+B+C-D)	2123.80	2345.08	2099.43	2903.33	3163.04	4235.57
F	Represented by						
	Equity Share Capital	1250.00	1250.00	1250.00	1630.35	1750.00	1750.00
	Preference Share Capital		150.00	150.00	150.00	150.00	150.00
	Share Application Money	150.00			167.51		781.00
	Reserves & Surplus	723.89	946.46	699.43	955.47	1263.04	1554.57
	Less : Miscellaneous Expenses (To the extent not written off)	-0.09	-1.38				
	Net Worth	2123.80	2345.08	2099.43	2903.33	3163.04	4235.57



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Annexure – 2

Statement of Profit & Loss (As Restated)

(Rs. In Lacs)

S.No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	Half Year Ended 30.9.05
A.	Income						
	a) Of Products manufactured by Company	2965.06	4684.84	5868.78	6402.00	7999.84	4765.39
	b) Of Products traded by Company	490.28	41.63	119.08	126.46	86.73	21.67
	Total Income	3455.34	4726.47	5987.86	6528.46	8086.57	4787.06
	Other Income	3.95	4.48	7.81	16.11	26.16	1.68
	Increase / (Decrease) in Stock	66.50	64.66	54.69	24.33	61.64	179.17
	Total	3525.79	4795.61	6050.36	6568.90	8174.37	4967.91
B	Expenditure						
	Cost of Raw Material Consumed/ Goods Sold	2300.21	3049.69	3263.03	3787.21	4782.99	2802.92
	Manufacturing Expenses	340.57	593.50	731.46	715.77	971.96	679.37
	Excise Duty	88.33	151.31	118.39	139.35	129.94	43.59
	Personnel Expenses	67.93	176.79	202.86	217.17	262.15	149.41
	Administrative & Other Expenses	47.81	81.52	98.21	106.31	94.94	42.34
	Selling & Distribution Expenses	103.70	179.51	257.68	291.15	379.04	160.96
	Total	2948.55	4232.32	4671.63	5256.96	6621.02	3878.59
C	Net Profit before Interest, Depreciation, Tax and Extraordinary items	577.24	563.29	1378.73	1311.94	1553.35	1089.32
	Depreciation	202.58	204.52	629.86	627.17	654.83	478.44
	Interest & Financial Charges	162.23	116.75	626.83	575.28	585.29	296.69
	Profit / Loss before Tax	212.43	242.02	122.04	109.49	313.23	314.19
	Provision for Taxation						
	- Current Tax	0.59		1.03		8.74	23.53
	- Deferred Tax					16.34	-10.51
	- Fringe Benefit Tax						0.88
D.	Profit / Loss after Tax but before Extra – ordinary Items	211.84	242.02	121.01	109.49	288.15	300.29
	Extra-ordinary Items						
	Add/(Less) taxation for earlier years				1.02	(10.13)	
	Add/(Less) Effect of change in accounting policy on account of deferred tax provisions			(13.09)	20.94		
E	Profit/Loss after Extra-ordinary Items	211.84	242.02	107.92	131.45	278.02	300.29
	Less : Dividend on Preference Shares	-	19.45	20.25	24.42	16.19	7.68
	Less : Tax on Dividend				3.13	2.12	1.08
	Profit available for appropriation	211.84	222.57	87.67	103.90	259.71	291.53

SIGNIFICANT ACCOUNTING POLICIES
1) Basis for preparation of Financial Statement

- (a) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles, applicable Accounting Standards and provisions of the Companies Act, 1956 as adopted by the Company.
- (b) Accounting policies, not specifically referred to, are consistent with generally accepted accounting principles.

2) Use of Estimates

The presentation of financial statement in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialised.

3) Revenue Recognition

- a. Sales are recognised when goods are supplied and are recorded net of sales tax but including excise duties.
- b. Income, Expenditure and Incentives/Benefits are accounted for on accrual basis.
- c. Claims lodged with insurance companies are accounted and credited to the relevant head when recognized by the insurance co.

4) Expenditure

- (a) Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.
- (b) Rebate, claims & settlement on goods sold are accounted for as and when these are ascertained with reasonable accuracy.

(5) Inventory

Inventories are valued at cost or net realisable value, whichever is lower. The cost in respect of various items of inventory is computed as under :-

- (a) Cost of raw materials and stores include duties, taxes, freight and other expenses and is net of Modvat claims wherever made applicable. The cost is determined on FIFO basis.
- (b) Cost in relation to finished goods comprises of cost of materials, excise duty, production overheads and depreciation.
- (c) Work in process, at raw material cost plus conversion cost depending upon the stage of completion.
- (d) The material/finished goods dispatched from the factory but lying at port pending B/L has been taken as a part of finished goods stock.

The stock except those lying with third party has been physically verified from time to time and difference as compared to book records, if any, is accounted for.

(6) Investments

Investments are stated at cost.

(7) Fixed Assets

Fixed Assets are stated at cost of acquisition including freight, import and excise duties net of Modvat claims, wherever applicable and direct incidental expenses, prorata of preoperative expenses and are further adjusted by amounts in respect of increase/decrease in rupee liability of foreign currency loans taken for acquiring imported Plant and Machinery less accumulated depreciation.



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Expenditure incurred (including expenditure on test runs and experimental production) on expansion project for the period prior to commencement of commercial production are capitalized as part of asset cost. Net charges on foreign exchange contracts and adjustment arising from exchange rate variations in respect of liabilities attributable to the fixed assets are capitalised.

(8) Depreciation

- (a) Depreciation on plant & machinery, electric installations is provided on triple shift basis under Straight Line Method and on other Fixed Assets, at normal rates on Straight Line Method specified in Schedule XIV to the Companies Act, 1956.
- (b) Depreciation on Fixed Assets for the trial run period has not been charged.

(9) Prior year Adjustments

Earlier year items, adjustment/Claims, arises / settled / noted during the year are debited / credited to the respective heads of account being not material in nature.

(10) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of Fixed Assets are capitalized as part of the cost of such assets for the period prior to commencement of commercial production or installation. All other costs are charged to revenue.

(11) Government Grants, Subsidy & Incentives

- (a) Interest subsidy received or receivable on Term Loan taken under TUF Scheme are reduced from the Financial Expenses, being revenue in nature. The TUF benefits attributable to the acquisition / installation of Fixed Assets till the commencement of commercial production is netted against the cost of fixed assets.
- (b) Duty draw back, Sales Tax refunds and other incentives are reduced from the cost of respective assets / purchases.

(12) Foreign Currency Transactions

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences are dealt with in the profit and loss account except those relating to the acquisition of fixed assets which are adjusted to the cost of the assets.

(13) CENVAT

- (a) The purchase cost of raw materials and other expenses has been considered net of cenvat available on inputs.
- (b) The cenvat benefits attributable to acquisition / installation of fixed assets is netted of against the cost of fixed assets in accordance with the guidance note issued by the Institute of Chartered Accountants of India.

(14) EXCISE DUTY

Excise Duty has been accounted for on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and unclear goods and same has been treated as part of the cost of respective stock as per the revised Guidance Note on Accounting Treatment for Excise Duty issued by The Institute of Chartered Accountants of India.

(15) Research & Development

Revenue expenditure on Research and Development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as addition to fixed assets.

(16) Retirement Benefits

The company's contribution to Provident and other funds are charged to profit & Loss Account. The Company has ascertained the gratuity and leave encashment liability as at 30th September, 2005 on actual basis as per applicable law and the same has been charged to the Profit & Loss Account.

(17) Provision for Current and Deferred Tax

- (a) Provision for Current Income Tax is made after considering exemptions and deductions available under the Income Tax Act, 1961.
- (b) Deferred Tax resulting from timing differences between book and tax profit is accounted under the liability method at the current rate of tax.

(18) Deferred Revenue Expenditure

The company do not recognize any deferred revenue expenditure.

Annexure – 4

Notes to Statement of Assets & Liabilities and Profit & Loss Account
For the Half Year Ended 30.09.2005

- 1) Contingent Liabilities not provided for :

(Rs. in Lacs)

S. No.	Particulars	Half Year Ended 30.09.05	Previous Year Ended 31.03.05
1.	Bills discounted with Banks	769.02	583.01
2.	Counter Guarantee given in respect of guarantees given by the company's banker.		1.51
3.	Taxation matters in respect of which appeals / show cause notices are pending :		
	- Sales Tax	34.95	1.82
	- Excise & Customs	60.10	60.10

- 2) The figures for the current period ending 30.9.2005 reflects the working of six months, therefore not comparable with the previous year's figures.
- 3) The estimated amount of contracts remaining to be executed on capital account and not provided for all Capital WIP Contract is Rs. 1527.40 lacs. (Previous Year – Nil).
- 4) In the opinion of the Board the current assets, loans and advances are approximately of the value stated if realised in the ordinary course of business. The provision for all known and determined liabilities are adequate and not in excess of the amount reasonably required.
- 5) Some of the customers and suppliers accounts and Dr/Cr notes are pending confirmation/reconciliation and the same have been taken as per the balances appearing in the books. Any differences arising on account of such reconciliation/non-acceptance will be accounted for as and when these reconciliation are completed.
- 6) During the year estimated excise duty on the stock of finished goods lying in the Bonded Warehouse has been provided by Rs. 1.04 lacs (previous year Rs. 1.19 lacs) and the same has been included in the value of stocks. Therefore, finished stock and current liabilities are higher by Rs. 1.04 lacs. However, this does not have any impact on the profit for the year.
- 7) Loans & Advances include dues from officers of the Company Rs. 0.24 lacs (Previous Year Rs. 0.74 lacs). Maximum amount due at any time during the year from officers Rs. 0.40 lacs (Previous Year Rs. 1.16 lacs).
- 8) Name of Small-Scale Industrial Undertakings to whom amount is due beyond a period of 30 days as on 30.09.2005 are (a) Shree Jee Iron & Brass Factory – Rs. 3853; (b) Gurukrupa Industries – Rs. 1049; (c) Sah Polymers Ltd. – Rs. 81165; (d) Print Electronic Equipment P. Ltd. – Rs. 45460; (e) Ranjan Plastics P. Ltd. – Rs. 9871; (f) S.S. Appliances P. Ltd. – Rs. 13661; (g) Hisar Paper products P. Ltd. – Rs. 81020; (h) Shivam Products P. Ltd. – Rs. 1,79,698.



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- 9) The deferred tax liabilities as on 30.9.2005 comprises following :

		As on 30.09.05	As on 31.03.05
A.	Deferred Tax Liability on account of Depreciation	3,39,92,090	3,48,52,783
B.	Deferred Tax Assets on account of Employee Benefits	7,24,660	5,33,958
	Deferred Tax Liability (Net)	3,32,67,430	3,43,18,825

The decrease in deferred tax liability by Rs. 10,51,395 as on 30.09.05 has been added to the current year's profit & loss account.

- 10) The current year tax liability has been provided in accordance with the provisions of the Income Tax Act, 1961.

- 11) Auditors Remuneration includes :-

	Half Year Ended 30.09.05	Previous Year Ended 31.03.05
a) Audit Fee	40000	70000
b) Tax Audit Fee	-	10000

- 12) The figures for the previous year have been regrouped and rearranged wherever found necessary to make them comparable with those of current year.

13) DISCLOSURES UNDER ACCOUNTING STANDARDS

A) SEGMENT REPORTING

Details of Segment Reporting:

- (a) Primary Segment Reporting (By Business Segments)

The Company is engaged only in one segment i.e. textile. Hence, the segment reporting is not applicable.

- (b) Secondary Segment Reporting (By Geographical Segments)

The following is the distribution of the company's consolidated sales by Geographical market :-

	(Rs. in Lacs)					
Particulars	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
Sales to Domestic Market	1861.67	2357.21	2701.39	2769.71	3395.48	2152.99
Sales to Overseas Market	1593.67	2369.26	3286.47	3758.75	4691.09	2634.07
Total	3455.34	4726.47	5987.86	6528.46	8086.57	4787.06

The Company has common fixed assets for producing goods for domestic market and overseas market. Hence, separate figures for fixed assets/additions to fixed assets cannot be furnished.

Statement of Cash Flow from the Restated Financial Statement

(Rs. in Lacs)

(A)	CASH FLOW STATEMENT FROM OPERATING ACTIVITIES	2001	2002	2003	2004	2005	Half Year Ended 30.9.05
	Net Profit Before Tax	212.43	242.02	122.04	109.49	313.23	314.19
	Adjustments for :-						
	Depreciation	202.58	204.52	629.86	627.17	654.83	478.44
	Interest Expenditure	151.51	90.63	577.49	536.37	518.46	271.82
	Interest Income	-1.16	-2.85	-5.96	-8.63	-5.02	-0.42
	Loss / profit (+/-) on sale of Fixed Assets	0.70	-0.05	3.70	3.57	0.05	0.56
	Deferred Revenue Expenditure	0.04	2.01	1.37			
	Excess provision for earlier year written back				1.02		
	Operating Profit Before Working Capital Changes	566.10	536.28	1328.50	1268.99	1481.55	1064.59
	Adjustments for :-						
	Inventories	-262.11	-611.42	-259.69	-138.29	-861.22	129.76
	Sundry Debtors	-43.62	24.60	-83.06	63.30	-330.14	157.44
	Loans and Advances	-117.56	18.25	-17.84	-89.77	-35.35	-220.89
	Sundry Creditors	132.83	-91.09	-59.41	-153.83	190.28	-208.89
	Less : Taxes Paid		-1.83		-6.36	-25.17	-0.33
	Cash Generated from Operations (A)	275.64	-125.21	908.50	944.04	419.95	921.68
(B)	CASH FLOW FROM INVESTING ACTIVITIES						
	Purchase of Fixed Assets	3631.16	1196.06	120.60	2550.38	1348.81	522.97
	Purchase of NSC				0.03		
	Sale of Fixed Assets	-0.31	-1.00	-18.23	-7.40	-2.22	-1.51
	Interest Received	-1.16	-2.85	-5.96	-8.63	-5.02	-0.42
	Net Cash Used in Investing Activities (B)	3629.69	1192.21	96.41	2534.38	1341.57	521.04
(C)	CASH FLOW FROM FINANCING ACTIVITIES:						
	Proceeds from /(Repayment) of short term borrowing (Net)	103.91	929.28	1.97	-24.19	987.50	-513.48
	Proceeds from long term borrowing	2836.51	724.67	176.73	1666.96	1284.49	10.00
	Repayment of long term borrowing	-343.27	-239.53	-356.47	-204.80	-741.81	-288.96
	Repayment of Unsecured loan	62.04	-6.41	-18.72	-9.00	-9.28	-51.08
	Increase in share capital	863.40			380.35		
	Increase in share premium				152.14		
	Receipt of Share application money				167.51		781.00
	Interest Paid	-145.83	-93.84	-579.82	-472.25	-574.44	-280.10
	Dividend Paid			-37.57	-24.42	-16.19	-7.69
	Dividend Tax				-1.83	-2.41	-1.00
	Net Cash From Financing Activities (C)	3376.76	1314.17	-813.88	1630.47	927.86	-351.31
(D)	Net Increase / Decrease in Cash & Cash Equivalent (A-B+C)	22.71	-3.25	-1.79	40.13	6.24	49.33
	Closing Balance of Cash & Cash Equivalent	38.51	35.26	33.47	73.60	79.84	129.17
	Opening Balance of Cash & Cash Equivalent	15.80	38.51	35.26	33.47	73.60	79.84

Mandatory Accounting Ratios

Particulars	2000 - 01	2001 - 02	2002 - 03	2003 - 04	2004 - 05	Half Year Ended 30.9.05
Earning Per Share (EPS) (Rs.)	2.38	1.78	0.70	0.79	1.50	3.33
Return On Net Worth (%)	9.97%	9.49%	4.17%	3.58%	8.21%	6.88%
Net Assets Value Per Share (Rs.)	15.79	17.56	15.60	15.86	17.22	18.88

Notes :

1. $EPS = a/b$

Return on Net worth = a/c %

Net Asset Value Per Share = d/b

a. Net Profit after Tax

b. No. of Equity Shares

c. Net Worth = Share Capital plus Reserves & Surplus less Miscellaneous Expenditure to the extent not written off.
(As per Annexure – 1)

d. Net Assets value = Equity Share capital plus reserve and surplus less miscellaneous expenses to the extent not written off

2. The ratios are annualized except Net Asset Value per share and Return on Net Worth.

Statement of Unsecured Loan

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	30.9.05
From group / associate companies/directors/ promoters	—	5.69	9.12	—	1.50	—
b) From Others	94.50	82.40	60.25	60.36	49.58	—
Total	94.50	88.09	69.37	60.36	51.08	—

Sundry Debtors

(Rs. in Lacs)

Age – wise Break-up	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.09.2005
More than Six Months	24.19	22.03	42.83	42.92	—	—
Less than Six Months	274.20	246.20	308.46	254.17	627.23	469.78
Total	298.39	268.23	351.29	297.09	627.23	469.78

The figures of 31.3.2001 and 31.3.2002 includes Rs. 0.22 Lacs and Rs. 7.06 Lacs respectively dues from M/S Redial Trading & Investment Pvt. Ltd. in which directors are interested.

Annexure – 9
Loans and Advances (Unsecured, Considered Good)
(Rs. in Lacs)

Particulars	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
Advance (Recoverable in cash or in kind or for value to be received)	209.71	200.60	218.25	496.38	525.13	751.68
Deposits with Govt. Authorities	7.22	1.45	1.46	4.06	17.49	11.71
Tax Deducted at Source	0.37	1.09	1.27	1.80	1.27	1.39
Total	217.30	203.14	220.98	502.24	543.89	764.78

The figures of 31.3.2004 includes Rs. 2.58 Lacs due form M/S. Redial Trading & Investment Pvt. Ltd. in which directors are interested.

Annexure – 10
Statement of Tax Shelters
(Rs. In Lacs)

Particulars	2000 – 01	2001 - 02	2002 - 03	2003 - 04	2004 – 05	30.9.2005
Tax Rate	39.55%	35.70%	36.75%	35.875%	36.5925%	33.66%
Net Profit before Tax & Extra Ordinary items	212.43	242.02	129.44	107.68	307.63	314.19
Tax at Notional Rate	84.02	86.40	47.57	38.63	112.57	105.76
Adjustment						
Temporary Differences						
Difference between Depreciation as per I. T. Act and Book Depreciation	(2.75)	(40.38)	592.24	313.72	512.39	40.42
Others	(28.72)	(3.24)	(6.21)	(7.89)	(7.84)	(8.21)
Total (A)	25.97	(43.62)	586.03	305.83	504.55	32.21
Permanent Differences						
Deduction U/Sec. 10 B	186.46	285.64	129.32	75.80	196.21	212.08
Total (B)	186.46	285.64	129.32	75.80	196.21	212.08
Net Adjustment (A+B)	212.43	242.02	715.32	381.63	700.76	244.29
Tax Saving thereon	84.02	86.40	262.89	136.91	256.43	82.23
Total taxation (C)	-	-	-	-	-	23.53
Taxation on extra ordinary items	-	-	-	-	-	-
Taxable income as per provisions of MAT	25.97	-	0.11	31.88	111.42	102.11
Tax Payable as per provisions of MAT (D)	2.20	-	0.01	2.45	8.74	8.59
Net Tax payable as per I. T. Returns (higher of C or D above)	2.20	-	0.01	2.45	8.74	23.53

Statement of Dividend
(Rs. in Lacs)

Particulars	2000 - 01	2001 - 02	2002 - 03	2003 - 04	2004 - 05	30.9.05
Preference Share Capital	-	150.00	150.00	150.00	150.00	150.00
Dividend Amount on Preference Shares	-	19.45	20.25	24.42	16.19	7.68
Tax on Dividend				3.13	2.12	1.08
Dividend %	-	13.50	13.50	13.50	10.25	10.25

Note

1. The dividend rate on preference shares was reduced to 10.25% w.e.f. 01/06/2004.
2. The company paid additional dividend on preference shares Rs. 4.17 lacs in the year 03-04 due to shifting of incidence of tax on dividend from payer company to the shareholder by the finance bill, 2002.
3. The dividend on preference shares was paid on pro rata basis for the year 2001-02.
4. The dividend amount as mentioned above has been paid on preference shares only.

Capitalisation Statement
Rs. in Lacs

S.No.	Particular	Pre-Issue 30.9.2005	Post-Issue
1.	Borrowings Secured		
	Short Term Debts	509.70	509.18
	Long Term Debts	4774.77	4774.77
	Unsecured Debts		
	Total Borrowings	5284.47	5283.95
2.	Shareholder's Fund		
	Equity Share Capital	1750.00	[•]
	Preference Share Capital	150.00	150.00
	Reserve & Surplus	1554.57	[•]
	Less: Miscellaneous Expenditure to the extent not written off	0.00	[•]
	Total Shareholder's Fund	3454.57	[•]
3.	Debts / Equity Ratio	1.53	[•]

1. *Issue price will be decided in consultation with the Merchant Bankers to the Issue. Therefore these figures will be worked out later on.
2. The Company has fully tied – up term loan of Rs. 83.50 Crore as envisaged for the expansion project of the company with IDBI and Bank(s). The disbursement will be availed after the proposed public issue.
3. Post issue figure represent status assumed as on 30.11.2005.

Detail of Secured Loan

(Rs. in Lacs)

S.No.	Particulars of Loan	2000 - 01	2001 – 02	2002 – 03	2003 - 04	2004 – 05	30.9.2005
1.	Term Loan						
	Industrial Development Bank of India Ltd.	1339.73	1749.70	1584.00	1838.40	2278.40	2171.20
	Oriental Bank of Commerce	469.17	608.00	608.00	829.65	805.59	746.64
	Punjab National Bank	468.06	500.00	553.00	965.36	1142.84	1103.37
	Indian Overseas Bank	672.56	725.00	775.00	1387.34	1336.60	1253.56
	RIICO Ltd.	146.68	55.33				
	Sub Total	3096.20	3638.03	3520.00	5020.75	5563.43	5274.77
2	Foreign Currency Loan						
	Industrial Development Bank of India Ltd.	142.70	88.19	35.24			
	Sub Total	142.70	88.19	35.24			
3	Cash Credit Account						
	Oriental Bank of Commerce	689.68	791.80	825.53	802.68	1375.49	1035.40
	Punjab National Bank		426.69	415.65	412.42	608.13	574.17
	Indian Overseas Bank		434.10	413.38	415.27	634.25	494.82
	Sub Total	689.68	1652.59	1654.56	1630.37	2617.87	2104.39
4	Vehicle Loan						
	Oriental Bank of Commerce	3.68	1.51	3.35			
	ICICI Bank Ltd.						9.70
	Sub Total	3.68	1.51	3.35			9.70
5	L/C issued by Bank						
	Oriental Bank of Commerce	44.24					
	Indian Overseas Bank		10.60				
	Total Secured Loan (1+2+3+4+5)	3976.50	5390.92	5213.15	6651.12	8181.30	7388.86



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PRINCIPAL TERMS OF LOANS & ASSETS CHARGED AS SECURITY

The Company has been sanctioned various credit facilities by the bank(s) from time to time. The status of these credit facilities as on 30th September, 2005 is as under :

Sr. No.	Credit Facility	Sanction Amount	Outstanding as on 30.09.05	Security	Fees/Pricing and Repayment Schedule
A.	Term Loan Facility				
1.	Industrial Development Bank of India Ltd., 1 st Floor, Anand Bhawan, S. C. Road, Jaipur.				
a.	Sanction letter no. JPBO / 1802/PFD dated 17 th June, 1999 and Loan Agreement dated 6 th June, 2000.	1500.00	1071.20	Secured by first charge over immovable properties and second charge over current assets of the company.	Interest @ 10.25% p.a. and repayable in 28 quarterly installments of Rs. 53.60 lacs each w.e.f. 1 st Jan. 04.
b.	Sanction letter no. JBO/5927/PFD dated 16 th Oct., 2003 and Loan 22 nd Jan., 2004.	600.00	600.00	-do-	Interest @ 10.25% p.a. Agreement dated and repayable in 28 quarterly installments of Rs. 21.43 lacs each w.e.f. 1 st Oct., 2006.
c.	Sanction letter no. JPBO / 5633/PFD dated 17 th Nov., 2004 and Loan Agreement dated 2 nd December, 2004.	500.00	500.00	-do-	Interest @ 8.50% p.a. and repayable in 3 equal monthly installments commencing from Nov., 2006.
2.	Oriental Bank of Commerce Shanti Bhawan, Bhilwara – 311 001.				
a.	i) Sanction letter no. Nil dated 19 th February, 2000 and Loan Agreement dated 5 th June, 2000, and ii) Sanction letter no. Nil dated 19 th December, 2000 and Loan Agreement dated 10 th Jan., 2001.	550.00	346.64	Secured by first charge over immovable properties and second charge over current assets of the company.	Interest @ 10.00% p.a. and repayable in 28 quarterly installments of Rs. 19.65 lacs each w.e.f. 1 st Jan., 04.
b.	Sanction letter no. Nil dated 10 th Jan., 2004 and Loan Agreement dated 14 th Jan., 2004.	400.00	400.00	-do-	Interest @10.00% p.a. and repayable in 28 quarterly installments of Rs. 14.29 lacs each w.e.f. 1 st Oct., 2006.
3.	Punjab National Bank Main Branch, Station Road, Bhilwara – 311 001.				
a.	Sanction letter dated 3 rd Jan., 2000 and Loan Agreement dated 10 th June, 2000.	500.00	353.37	Secured by first charge over immovable properties and second charge over current assets of the company.	Interest @ 10.00% p.a. and repayable in 28 quarterly installments of Rs. 17.86 lacs each w.e.f. 1 st Jan., 2004.

Sr. No.	Credit Facility	Sanction Amount	Outstanding as on 30.09.05	Security	Fees/Pricing and Repayment Schedule
b.	Sanction letter dated 14 th Nov., 2003 and Loan Agreement dated 20 th Dec., 2003.	750.00	750.00	-do-	Interest @ 10.00% p.a. and repayable in 28 quarterly installments of Rs. 26.79 lacs each w.e.f. 1 st Oct., 2006.
4.	Indian Overseas Bank Transport Nagar, Bhilwara 311 001				
a.	i) Sanction letter dated 31 st Dec., 1999 and Loan Agreement dated 10 th June, 2000, and ii) Sanction letter dated 16 th Dec., 2000 and Loan Agreement dated 3 rd Jan., 2001.	700.00	500.00	Secured by first charge over immovable properties and second charge over current assets of the company.	Interest @ 10.00% p.a. and repayable in 28 quarterly installments of Rs. 25.00 lacs each w.e.f. 1 st Jan., 2004.
b.	Sanction letter dated 23 rd March, 2002 and Loan Agreement dated 30 th March, 2002.	75.00	53.56	-do-	Interest @ 10.00% p.a. and repayable in 28 quarterly installments of Rs. 2.68 lacs each w.e.f. 1 st Jan., 2004.
c.	Sanction letter dated 17 th Dec., 2003 and Loan Agreement dated 14 th Jan., 2004.	700.00	700.00	-do-	Interest @ 10.00% p.a. and repayable in 28 quarterly installments of Rs. 25.00 lacs each w.e.f. 1 st Oct., 2006.
	Total (A)	6275.00	5274.77		
B	Working Capital Facility Working Capital Consortium Agreement dated 24 th June, 2004 was executed with: a. Oriental Bank of Commerce b. Punjab National Bank c. Indian Overseas Bank	3525.00	2104.39	Secured by first charge over current assets and second charge over immovable properties of the company.	Interest rate varies between 7.25% to 10% and repayable on demand as stipulated by each bank.
	Total (B)	3525.00	2104.39		
C	Vehicle Loan ICICI Bank Ltd. S. K. Plaza, Pur Road, Bhilwara – 311 001.				
a.	Sanction letter dated 25 th August, 2005.	10.00	9.70	Secured by hypothecation of respective vehicle.	Repayable in 36 monthly equal installments with effect from 1 st September, 05.
	Total (C)	10.00	9.70		
	Grand Total (A+B+C)	9810.00	7388.86		



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Note :

1. Term Loan are secured by way of first charge on pari passu basis on all immovable properties (both present and future) together with second charge on all movable assets (both present and future) of the Company. The term loans are also secured by personal guarantee of three directors, namely Mr. R. L. Nolkha, Dinesh Nolkha and Nitin Nolakha
2. The working capital limits are secured by way of hypothecation (both present and future) of stock of raw material / component, spares, stock in process, finished goods and book debts and a second charge on all immovable properties (both present and future) of the Company. The working capital loans are also secured by personal guarantee of three directors namely Mr. R. L. Nolkha, Dinesh Nolkha and Nitin Nolakha.
3. The vehicle loan is secured by the hypothecation of vehicle purchased from the proceed of such loan.
4. Thirty lacs equity shares of the company lying in the name of the promoters and promoter groups have been pledged to the IDBI against security of term loans sanctioned by them.
5. House property in the name of Mr. R. L. Nolkha situated in Bhilwara has been pledged to the banks on pari passu basis against security of working capital facility sanctioned under consortium by the member banks.

All those pieces and parcels of land admeasuring 55 Bigha 16.07 Biswa (141188.42 Sq. mtrs.) situated at 16-17 km. Stone, Chittor Road, Hamirgarh, Bhilwara in the State of Rajasthan and bounded as under :

On or towards the East by	-	National Highway No. 79 Road
On or towards the North by	-	Kanya Kheri Village Road
On or towards the South by	-	Agricultural Land
On or towards the west by	-	Agricultural Land

Principal Terms & Conditions :

1. It is provided that the company cannot alter its capital structure or withdraw or allow to be withdrawn moneys brought in by the promoters or relatives and friends of the promoters or directors of the company without the consent of the lender. Further, it is provided that the company shall not invest in shares and/or debentures or lend or advance funds to or place deposits with any other concern so long as amounts is overdue to the lender without the consent of lender except normal trade credit or security deposits in the normal course of business.
2. It is provided that the company shall not pay any consideration in whatever form either directly or indirectly (except without prior approval of the lender) to the guarantors/guaranteeing directors for guaranteeing the credit facilities to the lender.
3. The company shall not implement any scheme of expansion/ modernization/ diversification/ renovation or acquire/ sell any fixed assets except under such scheme, which have already been approved by the lender.
4. The company shall not affect any change in promoter director(s) or in the core management team nor any merger/ acquisition/amalgamation shall be done without express permission of the bank in writing.
5. The company shall not extend finance to associate concerns during the currency of the credit facility nor company shall obtain any financial assistance from any other source without express approval of the lender.
6. The company shall make all best efforts to improve the credit rating under all the relevant parameters stipulated by the lender.

Registration of Charges with Registrar of Companies, Rajasthan, Jaipur.

1. All term loan(s) with Industrial Development Bank of India Ltd., as mentioned above in Sl. No. (1) above are secured by way of joint mortgage by deposit of title deeds which was executed on 7th March, 2005. Modification of charge was filed and registered with Registrar of Companies, Rajasthan, Jaipur on 9th March, 2005.
2. All term loan(s) with Oriental Bank of Commerce, Punjab National Bank and Indian Overseas Bank, as mentioned

above in Sl. No. (2), (3) and (4) respectively above are secured by way of joint mortgage by deposit of title deeds which was executed on 6th February, 2004. Modification of charge was filed and registered with Registrar of Companies, Rajasthan, Jaipur on 27th February, 2004.

3. Working Capital Consortium Agreement was filed and registered with Registrar of Companies, Rajasthan, Jaipur on 22nd July, 2005. Total working capital limit of Rs. 3525 lacs as mentioned in Sl. No. (B) above is also secured by way of joint mortgage by deposit of title deeds which was executed on 7th March, 2005. Modification of charge was filed and registered with Registrar of Companies, Rajasthan, Jaipur on 24th March, 2005.

Details of Term Loan Sanctions for which Loan Agreement is yet to be executed :

(Rs. in Lacs)

Sr. No.	Credit Facility	Sanction Amount	Outstanding as on 30.09.05	Security	Fees/Pricing and Repayment Schedule
1.	IDBI Term Loan sanction letter no. JPBO/1451/CFD (NSL) dated 24 th May, 2005.	3000.00	—	To be secured by first charge over immovable properties and second charge over current assets of the company along with personal guarantee of three promoter directors of the company.	5 years G-Sec plus 300 bps repayable in 28 quarterly installments w.e.f. 1 st April, 2008.
2.	OBC Sanction letter no. CN/80/Loan dated 22 nd July, 2005.	2500.00	—	-do-	PLR minus 1% i.e. 10% repayable in 28 quarterly installments w.e.f. 1 st April, 2008.
3.	PNB Sanction letter no. Nil dated 16 th July, 2005.	2500.00	—	-do-	BPLR minus 1.25% plus 0.50% term premia i.e. 10% repayable in 28 quarterly installments w.e.f. 1 st April, 2008.
4.	IOB Sanction letter no. Nil dated 16 th July, 2005.	1500.00	—	-do-	BPLR minus 1% i.e. 10% repayable in 28 quarterly installments w.e.f. 1 st April, 2008.
5.	The Bank of Rajasthan Ltd. sanction letter no. Adv/GNB/3637/2005 dated 30 th September, 2005.	1500.00	—	-do-	BPLR minus 1% i.e. 10% repayable in 28 quarterly installments w.e.f. 1 st April, 2008.
	TOTAL	11000.00	—		

Annexure – 14
Contingent Liabilities
(Rs. in Lacs)

S. No.	Particulars	2000 - 01	2001 - 02	2002 - 03	2003 - 04	2004 - 05	30.9.2005
1	Bill Discounted with Bank	296.23	348.25	540.64	596.36	583.01	769.02
2	Counter Guarantees given in respect of Guarantees given by the Company's Banker.	1.52	3.33	1.51	1.51	1.51	-
3	Taxation matter in respect of which appeals / show cause notices are pending						
A	Sales Tax	20.41	20.41	1.82	1.82	1.82	34.95
B	Excise & Custom	1.88	1.88	49.68	49.68	60.10	60.10
C	Income Tax	0.43	-	-	16.90	-	-
4	Letter of Credit Outstanding	-	-	292.60	161.16	205.83	-

Annexure – 15
Related Party Disclosures

Transaction with related party as identified by the management in accordance with Accounting Standard 18 "Related party disclosures" issued by The Institute of Chartered Accountants of India, is as follows:

Related Party Transactions:
(I) List of Related Parties

	Name of the Related Party	Relationship
1	Redial Trading & Investment Pvt. Ltd.	Group Company
2	Prasham Corporate Services (India) Pvt. Ltd.	Group Company
3	Greenfield Securities Pvt. Ltd.	Group Company
4	Dolphin Carrier Pvt. Ltd.	Group Company
5	Smt. Ranjeeta Nolkha	Wife of ED
6	Dwarka Prasad Nolkha	Relative of Directors
7	Smt. Sushila Devi Nolkha	Wife of CMD
8	Master Pratyush Nolkha	Son of MD
9	Smt. Krishna Nolkha	Wife of MD

Key Managerial Personnel

1	Mr. R. L. Nolkha	Chairman & Managing Director
2	Mr. Dinesh Nolkha	Managing Director
3	Mr. Nitin Nolkha	Executive Director

Details of Transactions with Related Parties:
II) Transactions with Related Parties

Name of the Party	Nature of relationship	Nature of transaction	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005	September 30, 2005
Redial Trading & Investment Pvt. Ltd.	Group Company	Purchase Sales Rent Payment Interest	1.08	21.66 11.37 1.08 0.03	8.50 7.06 0.99	1.19 1.17	0.41	0.19
R. L. Nolkha (HUF)	Chairman & Managing Director	Interest Rent Payment	0.60	0.15 0.60	0.60	0.15 0.60	0.60	0.30
R. L. Nolkha	Chairman & Managing Director	Salary incl. Reimbursement Interest	4.70	4.78	4.81 0.72	5.23 0.96	5.06	2.82
Dinesh Nolkha	Managing Director	Salary incl. Reimbursement Interest	2.42	2.49	2.77 0.36	3.29 0.17	3.22	1.82
Nitin Nolakha	Executive Director	Salary incl. Reimbursement Interest	1.31	1.51	1.90 0.01	2.17 0.42	2.29	1.27
Smt. Ranjeeta Nolkha	Wife of ED	Interest		0.07	0.14	0.16		
Dwarka Prasad Nolkha	Relative of Directors	Interest			0.24	0.21		
Smt. Sushila Devi Nolkha	Wife of CMD	Interest				0.31		
Master Pratyush Nolkha	Son of MD	Interest				0.08		
Smt. Krishna Nolkha	Wife of MD	Interest				0.09		

Annexure - 16

There has been no disqualifications in the Audit Report for the preceding five financial years i.e. 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05 and for the half year ended 30.9.2005.

Annexure - 17
Effect of change in Accounting Policy

The Company changed its accounting policy in view of Accounting Standard (AS-22) issued by the ICAI, New Delhi which deals with "Accounting for Taxes on Income" current and deferred. Being 100% EOU since 15th January, 1999, the benefit of Section 10B under Income Tax Act, 1961 was available to the company for a period of ten years beginning with the assessment year 1999-2000. Any regular liability under Income Tax is to arrive from accounting year 2008-2009 and this was substantially a long period for pre-estimation of deferred tax liability/assets, therefore the same was not recognised in the financial years 2002-03 and 2003-04, and the fact was disclosed in the Annual Accounts under the heading of "Significant Accounting Policies".

Thereafter, as the holiday period of tax exemption U/Sec 10B came nearer, the company decided to provide the deferred tax liabilities in the books of account from the financial year 2004-05. The Company charged the deferred tax liability for the financial year 2004-05 from the Profit & Loss Account and for earlier years, from the General Reserve Account.

Further, Accounting Standard (AS-26) deals with the "Accounting for Intangible Assets" which was become applicable on the company with effect from 01.04.2003. The company incurred expenses Rs. 9.20 lacs on software development in the



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year 2002-03. The company amortized the software development expenses in accordance with clause 13 of Appendix A of AS-26 which allows company to amortize the software development expenses over a period of the best estimates of its useful life.

In Financial Year 2004-05, due to technological changes, the software became obsolete and in conformity of AS-26; the balance amount was amortised in the Financial Year 2004-05. To highlight the impact of change in the amount of amortisation in the re-stated financial performance, the company has shown the impact of software expenses in the year 2002-03 by amortising balance deferred revenue expenditure of Rs. 7.40 lacs to the profit and loss account in the year in which the said expenses were incurred and it added back the already amortised expenses in the years 2003-04 and 2004-05 Rs. 1.80 lacs and Rs. 5.60 lacs respectively

Consequent to the changes in the method of accounting in accordance with the AS – 22 and AS – 26 as referred above, the effect on the profits/reserves for the years/period stands as under :

(Rs. in Lacs)

Year/period ended on	Expenses Higher (lower) by	Deferred Tax Liability Higher (lower) by	Reserves Lower/ (higher) by	Net Reserve Lower/ (Higher) by Def. Tax Liability
31.03.2003	7.40	13.09	334.70	355.19
31.03.2004	-1.80	-20.94	-	-22.74
31.03.2005	-5.60		-326.85	-332.45
Net effect on reserves as on 31.03.05				Nil

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

Our Company does not have any subsidiary company.

OUR GROUP CONCERNS

1. Greenfield Securities Pvt. Ltd.

Greenfield Securities Pvt. Ltd., having its registered office at 34A, Metcalfe Street, 6th floor, Kolkata – 700 013, was incorporated on 18th March, 1996 with the main object, inter alia, of carrying out investment activities including capital market operations. The main promoters of the company were Mr. Anil Das and Mr. Rajeev Kapoor belonging to Kolkata. Mr. R. L. Nolkha and Nitin Nolkha became Directors of this company on 05th June, 2005, and this company was acquired by them on the same date, and they are presently in control of the company.

Board of Directors of the company consists of Mr. Ashok Kumar Baheti, Mr. Anup Agarwal, Mr. R. L. Nolkha and Mr. Nitin Nolkha.

Share Holding Pattern:

The company's present authorised capital is Rs. 20 Lacs and the present paid up capital of the company is 10.94 Lacs. The present shareholding pattern as on 20.06.05 is as under:

Sr. No.	Name of Shareholder	No. of Shares	% of Holding
1	Dinesh Nolkha	20,600	18.83%
2	Sushila Devi Nolkha	11,000	10.05%
3	R.L. Nolkha (HUF)	12,000	10.97%
4	Nitin Nolkha	14,000	12.80%
5	R. L. Nolkha	51,800	47.35%
	TOTAL	109,400	100.00%

Financial Performance

(Rs. in Lacs)

Particulars	Year ended March 31,		
	2005	2004	2003
Total Income	2.04	4.95	5.82
Profit After Taxation	0.04	1.17	0.08
Share Capital:	10.94	9.18	5.18
Reserves (excluding Revaluation Reserves)	207.02	164.77	7.60
Less: Miscellaneous Expenditure	0.24	0.12	0.16
Net Worth	217.72	173.83	12.62
Net Asset Value / Book Value Per Share (Rs.)	199.01	189.36	24.37
Earning Per Share (Rs.)	0.04	1.27	0.12

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against this company, or its promoters and directors.

This company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 and is not under winding up and has also not made a loss in the immediately preceding year, i.e., 2003-2004.

2. Dolphin Carrier Pvt. Ltd.

Dolphin Carrier Pvt. Ltd., having its registered office at 27, Weston Street, Kolkata – 700 012, was incorporated on 24th April, 2002 with the main object of carrying on business as transporters/Carriers. The main promoters of this company were Mr. Jalaluddin and Mr. Asif Iqbal belonging to Kolkata. Mr. Dinesh Nolkha and Mrs. Sushila Devi Nolkha became



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Directors on 17th June, 2005, and this company was acquired by them on the same date, and they are presently in control of the company.

Board of Directors of this company consists of Mr. Sunil Kumar Rai, Mr. Bibhuti Kumar Pandey, Mr. Dinesh Nolkha and Mrs. Sushila Devi Nolkha.

Share Holding Pattern:

The company's present paid up capital is Rs. 18.40 Lacs and Authorised Capital is Rs. 20 Lacs. The share holding pattern is as under:

Sr. No.	Name of Shareholder	No. of Shares	% of Holding
1	Sushila Devi Nolkha	45000	24.46%
2	Dinesh Nolkha	49000	26.63%
3	R. L. Nolkha	35000	19.02%
4	R. L. Nolkha (HUF)	10000	5.43%
5	Nitin Nolkha	45000	24.46%
	TOTAL	184000	100.00%

Financial Performance:

(Rs. in Lacs)

Particulars	Year ended March 31,		
	2005	2004	2003
Total Income	0.24	0.20	NIL
Profit After Taxation	0.01	0.08	(-)0.07
Share Capital:	18.40	18.40	1.00
Reserves (excluding Revaluation Reserves)	156.62	156.61	NIL
Less: Miscellaneous Expenditure	0.35	0.40	0.32
Net Worth	174.67	174.61	0.68
Net Asset Value / Book Value Per Share (Rs.)	94.93	94.90	6.83
Earning Per Share (Rs.)	0.005	0.049	NIL

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against this company, or its promoters and directors.

This company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 and is not under winding up and has also not made a loss in the immediately preceding year, i.e., 2003-2004.

Other relevant details about Group Companies / Firms:

- Neither Greenfield Securities Private Limited nor Dolphin Carrier Private Limited is listed on any Stock Exchange, nor have they made any public/rights issue in the last three years.
- The Promoters of our Company has / have not disassociated himself/itself from any of the companies / firms during preceding three years.
- There are no sales or purchase between companies in the Promoters group, wherein such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the Issuer Company. The material items of income or expenditure arising out of transactions in the Promoters group are disclosed under "Related Party Disclosures" as mentioned under Annexure 15 of the Auditor's Report given in this Red Herring Prospectus.

CHANGES IN ACCOUNTING POLICIES DURING PRECEDING THREE YEARS

The reason for changes in accounting policies are disclosed under Annexure 17 of the Auditor's Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE RESTATED FINANCIAL STATEMENTS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page 10 of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Nitin Spinners Limited on a standalone basis, and, unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI guidelines. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year. The audited financial results for the six months ended September 30, 2005 have also been stated alongside.

Overview

Our Company was incorporated as a Private Limited Company on 15th October, 1992 under the Companies Act, 1956; in the state of Rajasthan. Subsequently, our Company was converted into a Public Limited Company on 15th November, 1994 and the name was changed to Nitin Spinners Limited. The key promoters of our Company are Mr. R. L. Nolkha and Mr. Dinesh Nolkha.

Our Company is presently engaged in the manufacturing of cotton yarn ranging from Ne 4 to Ne 40 and knitted fabrics. These yarns are suitable for applications such as apparels, undergarments, Terry Towels, Denims, Medical Fabrics, Furnishing Fabrics and Industrial Fabrics. The knitted fabrics produced by our Company are used for in apparels and garment industry. We have grown by undertaking expansions at regular intervals to reach at our present capacity of 27216 spindles, 1872 Rotors and 15 knitting machines. We have installed Plant & Machineries imported from known Textile Machinery Manufacturers like Rieter (Switzerland), Savio (Italy), Mayer & Cie (Germany), Elitex (Czechoslovakia). We have also installed Plant & Machineries purchased locally from manufacturers like Laxmi Machine Works.

Our Company has at present an installed capacity of 27216 spindles and 1872 rotors for cotton yarns with a manufacturing capacity of 10,000 TPA and 15 knitting machines for knitted fabrics with a manufacturing capacity of 2000 TPA. We have continuously expanded and modernized our facilities in line with the industry trend, which has also been supported by term loans from Financial Institutions and Banks under Technology Upgradation Funds Scheme (TUFS) introduced by government.

Our Company is meeting entire power requirements through 3 generators, two based on furnace oil with a capacity of 3.5 MW (2.5 MW + 1 MW) and another HSD based set of 2 MW as standby arrangement. Being a 100% EOU, Our Company is able to import furnace oil directly at landed cost without cess & taxes for captive power plant. Hence, our power cost per unit is lower by 35% to 40% against per unit cost charged by State Electricity Board.

Our Company is exporting cotton yarns and knitted fabrics to countries like Australia, Bahrain, China, Colombia, Egypt, Israel, Italy, Korea, Mauritius, Russia, Poland, U.K., U.S.A. and others. We supply to various customers, who are at the moment in the fields like apparels and garment industry, industrial fabrics, furnishing fabrics, towels, etc. At present, our exports are restricted to around 18-20 countries only, which leaves more scope for our Company to develop new markets and to increase our presence accordingly. Further, with the phasing out of quota restrictions, our Company is expecting to achieve high growth rate in the highly opportunistic global markets in the coming years.

To cope with the continuous growing demand in the overseas and domestic markets and to attain economies of scale, our Company proposes further expansion of manufacturing capacity by adding 50,400 spindles for cotton yarn production and 12 knitting machines for knitted fabric production. Our Company also proposes to set-up a Power Plant of 8.18 MW near our existing unit located at Hamirgarh, Bhilwara, which is estimated to be sufficient for our captive power requirements in relation to our Project.

Significant Developments Subsequent to the Last Financial Year

The Directors of our Company confirm that in their opinion, except as stated otherwise in this Red Herring Prospectus, no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus, which materially and adversely affect or are likely to affect the trading or profitability of our Company, or the value of our assets, or our ability to pay our liabilities within the next twelve months.



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Factors Affecting Our Results of Operations

Our financial condition and results of operations are affected by numerous factors including the following:

General economic and business conditions: The demand for our products is dependent on general economic conditions in India, Europe, Russia, China, South & South-East Asia and to a lesser extent, the United States & Middle East (exports started last financial year), where our customers are primarily located. Our manufacturing operations, which are currently in India, will be affected by changes in business conditions in these countries.

Demand: The demand for our products is from the manufacturers of knitted fabrics, woven fabrics, industrial fabrics, denims, furnishings, terry towels, carpets, apparels & garments. We have expanded our customer base in domestic as we as global market. The prospects and earnings growth of the customers and industries, we serve will have an impact on our ability to generate sales.

Competition: Selling prices of our products may be affected if competition intensifies. Further, as a result of increased capacity of Yarn and Fabric, adoption of aggressive pricing strategies by our competitors in order to gain market share or new competitors entering the markets, may adversely affect our operations and financial results.

Capacity: We are currently expanding our capacity for production of Cotton Yarns and Knitted Fabric. Our ability to fulfill larger orders will depend upon our ability to complete our expansion plans as scheduled. We believe that the scale of our production, and lower per unit operating costs due to economies of scale, will give us an edge over our competitors.

Raw Materials Prices: Raw materials constitute a major portion of our total expenses. Since our key raw material is cotton, prices of which is dependent upon the market conditions, the monsoon in the country and the demand-supply scenario in the economy. With the use of effective raw material procurement policy, we should be able to mitigate price fluctuations.

Our Significant Accounting Policies

Preparation of financial statements in accordance with Indian Generally Accepted Accounting Principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are described in “Financial Statements – Significant Accounting Policies” Section of the Auditor’s Report appearing on page 123 of this Red Herring Prospectus. Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following significant accounting policies warrant additional attention:

1) Basis for preparation of Financial Statement

- (a) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles, applicable Accounting Standards and provisions of the Companies Act, 1956 as adopted by our Company.
- (b) Accounting policies, not specifically referred to, are consistent with generally accepted accounting principles.

2) Use of Estimates

The presentation of financial statement in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

3) Revenue Recognition:

- a. Sales are recognized when goods are supplied and are recorded net of sales tax but including excise duties.
- b. Income, Expenditure and Incentives/Benefits are accounted for on accrual basis.

- c. Claims lodged with insurance companies are accounted and credited to the relevant head when recognized by the insurance co.

4) Expenditure

- (a) Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.
- (b) Rebate, claims & settlement on goods sold are accounted for as and when these are ascertained with reasonable accuracy.

5) Inventory

Inventories are valued at cost or net realisable value, whichever is lower. The cost in respect of various items of inventory is computed as under:-

- (a) Cost of raw materials and stores include duties, taxes, freight and other expenses and are net of Modvat claims wherever made applicable. The cost is determined on FIFO basis.
- (b) Cost in relation to finished goods comprises of cost of materials, excise duty, production overheads and depreciation.
- (c) Work in process, at raw material cost plus conversion cost depending upon the stage of completion.
- (d) The material/finished goods dispatched from the factory but lying at port pending B/L has been taken as a part of finished goods stock.

The stock except those lying with third party has been physically verified from time to time and difference as compared to book records, if any, is accounted for.

6) Investments

Investments are stated at cost.

7) Fixed Assets

Fixed Assets are stated at cost of acquisition including freight, import and excise duties net of Modvat claims, wherever applicable and direct incidental expenses, pro-rata allocation of preoperative expenses and are further adjusted by amounts in respect of increase/decrease in rupee liability of foreign currency loans taken for acquiring imported Plant and machinery less accumulated depreciation.

Expenditure incurred (including expenditure on test runs and experimental production) on expansion project for the period prior to commencement of commercial production is capitalized as part of asset cost. Net charges on foreign exchange contracts and adjustment arising from exchange rate variations in respect of liabilities attributable to the fixed assets are capitalised.

8) Depreciation

- (a) Depreciation on plant & machinery, electric installations is provided on triple shift basis under Straight Line Method and on other Fixed Assets, at normal rates on Straight Line Method specified in Schedule XIV to the Companies Act, 1956.
- (b) Depreciation on Fixed Assets for the trial run period has not been charged.

9) Turnover

Sales include sale value of goods, excise duty but net of sales returns, discount and rate difference. Sales also include sale of scrap, waste etc.

10) Prior year Adjustments

Earlier year items, adjustment/Claims, arises / settled / noted during the year are debited / credited to the respective heads of account being not material in the nature.



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11) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of Fixed Assets are capitalized as part of the cost of such assets for the period prior to commencement of commercial production or installation. All other costs are charged to revenue.

12) Government Grants, Subsidy & incentives

(a) Interest subsidy received or receivable on Term Loan taken under TUF Scheme is reduced from the Financial Expenses, being revenue in nature. The TUF benefits attributable to the acquisition/ installation of Fixed Assets till the commencement of commercial production are netted against the cost of fixed assets.

(b) Duty draw back, Sales Tax refunds and other incentives are reduced from the cost of respective assets/ purchases.

13) Foreign Currency Transactions

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year-end. Exchange differences are dealt with in the profit and loss account except those relating to the acquisition of fixed assets which are adjusted to the cost of the assets.

14) Cenvat

(a) The purchase cost of raw materials and other expenses has been considered net of Cenvat available on inputs.

(b) The Cenvat benefits attributable to acquisition/installation of fixed assets are netted off against the cost of fixed assets in accordance with the guidance note issued by the Institute of Chartered Accountants of India.

15) Excise Duty

Excise Duty has been accounted for on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and unclear goods and same has been treated as part of the cost of respective stock as per the revised Guidance Note on Accounting treatment for Excise Duty issued by The Institute of Chartered Accountants of India.

16) Research & Development

Revenue expenditure on Research and Development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as addition to fixed assets.

17) Retirement Benefits

Our Company's contribution to Provident and other funds are charged to profit & Loss Account. Our Company has ascertained the gratuity and leave encashment liability as at 30th September, 2005 on actual basis as per applicable law and the same has been charged to the Profit & Loss Account.

18) Provision for Current and Deferred Tax

(a) Provision for Current Income Tax is made after considering exemptions and deductions available under the Income Tax Act, 1961.

(b) Deferred Tax resulting from timing differences between book and tax profit is accounted under the liability method at the current rate of tax to the extent that the timing differences are expected to crystallize.

19) Deferred revenue expenditure

Our Company does not recognize any deferred revenue expenditure.

BUSINESS PERFORMANCE

Our Results of Operations

Income:

The increasing demand for yarns in the Indian and international markets and increase in capacity are the key reason for our increased sales in recent years. We are a 100% EOU, catering to the international market. The total income has increased from Rs. 3,526 Lacs in FY: 2001 to Rs. 8,174 Lacs in FY: 2005 with CAGR of 23.40%. The exports income which constituted 51.9% of total income in FY: 2001 has increased to 68.2% of total sales in FY: 2005 with a CAGR of 31.12%. The increase in sales is attributable to higher sales realization and gradual capacity expansion from 14112 Spindles and 1464 Rotors in FY: 2001 to 27216 Spindles, 1872 Rotors and 15 Knitted Fabric machines in FY: 2005. The full impact of the benefits from the expansion project has started accruing from FY06; for the first 6 months period ended on 30th September, 2005, company has registered sales of Rs.4,787 lacs as against Rs.8,087 lacs in 12 months of the FY 2005.

The following tables set forth our revenues and other income constituting towards total income during each of financial years 2001, 2002, 2003, 2004, 2005 and 6 months period ended on 30th September, 2005 (hereinafter referred as FHY : 06) are as under:

Rupees in Lacs

Particulars	For the financial year ended 31 st March										Half Year	
	2001		2002		2003		2004		2005		Ended 30.09.2005	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Export Sales **	1,830	51.9	3,049	63.6	4,474	74.0	4,797	73.0	5,576	68.2	2,925	58.9
Domestic Sales	1,625	46.1	1,677	35.0	1,514	25.0	1,731	26.4	2,511	30.7	1,862	37.5
Other Income	4	0.1	5	0.1	8	0.1	16	0.2	26	0.3	2	0.0
Increase / Decrease in Stock	67	1.9	65	1.3	54	0.9	25	0.4	61	0.8	179	3.6
Total	3,526	100.0	4,796	100.0	6,050	100.0	6,569	100.0	8,174	100.0	4,968	100.0

** Includes deemed exports also.

Break-up of Sales Product wise:

Rupees in Lacs

Particulars	For the financial year ended 31 st March										Half Year	
	2001		2002		2003		2004		2005		30.09.2005	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Yarn Sales	3,405	98.6	4,608	97.5	4,977	83.1	5,084	77.9	6,345	78.5	3,801	79.4
Fabric Sales	0	0.0	31	0.7	887	14.8	1,370	21.0	1,638	20.2	957	20.0
Waste & Other Sales	50	1.4	87	1.8	124	2.1	74	1.1	104	1.3	29	0.6
Total	3,455	100.0	4,726	100.0	5,988	100.0	6,528	100.0	8,087	100.0	4,787	100.0

We started selling Fabrics from a mere amount of Rs.31 Lacs in FY: 2002 to Rs.1,638 Lacs in FY: 2005 and Rs. 957 Lacs for six months ended 30th September, 2005. In a span of just 3 years the Fabric sales increased from 0.7% to 20% of total sales.



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Expenditure

Our expenses mainly consist of the cost of raw material consumed, manufacturing expenses, depreciation, selling and distribution expenses, interest and financial charges and personnel expenses. The following table shows our various expenses for financial years 2001 to 2005 and for the six months period ended on 30th September, 2005:

Expenses as % of Total Expenses:

Rupees in Lacs

Particulars	For the financial year ended 31 st March										Half Year	
	2001		2002		2003		2004		2005		30.09.2005	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Raw-material Consumption	2,300	69.4	3,050	67.0	3,263	55.1	3,787	58.6	4,783	60.9	2,803	60.2
Manufacturing Expenses (including Excise Duty)	429	12.9	745	16.4	849	14.4	856	13.2	1,102	14	723	15.5
Personnel Expenses	68	2.1	177	3.9	203	3.4	217	3.4	262	3.3	150	3.2
Administrative & Other Expenses	48	1.5	82	1.8	98	1.5	106	1.7	95	1.2	42	0.9
Selling & Distribution Expenses	104	3.1	179	3.9	258	4.4	291	4.5	379	4.8	161	3.5
Interest & Financial Charges	162	4.9	117	2.6	627	10.6	575	8.9	585	7.5	297	6.4
Depreciation	202	6.1	204	4.4	630	10.6	627	9.7	655	8.3	478	10.3
Total	3,313	100.0	4,554	100.0	5,928	100.0	6,459	100.0	7,861	100.0	4,654	100.0

Expenses as % of Total Income:

Rupees in Lacs

Particulars	For the financial year ended 31 st March										Half Year	
	2001		2002		2003		2004		2005		30.09.2005	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Raw-material Consumption	2,300	65.2	3,050	63.6	3,263	53.9	3,787	57.7	4,783	58.5	2,803	56.4
Manufacturing Expenses (including Excise Duty)	429	12.2	745	15.5	849	14.0	856	13.0	1,102	13.5	723	14.6
Personnel Expenses	68	1.9	177	3.7	203	3.4	217	3.3	262	3.2	150	3.0
Administrative & Other Expenses	48	1.4	82	1.7	98	1.5	106	1.6	95	1.2	42	0.9
Selling & Distribution Expenses	104	3.0	179	3.7	258	4.3	291	4.4	379	4.6	161	3.2
Interest & Financial Charges	162	4.6	117	2.4	627	10.4	575	8.8	585	7.2	297	6.0
Depreciation	202	5.7	204	4.3	630	10.4	627	9.6	655	8.0	478	9.6
Total Expenses	3,313	94.0	4,554	94.9	5,928	97.9	6,459	98.4	7,861	96.2	4,654	93.7
Profit Before Tax	213	6.0	242	5.1	122	2.1	110	1.6	313	3.8	314	6.3
Total	3,526	100.0	4,796	100.0	6,050	100.0	6,569	100.0	8,174	100.0	4,968	100.0

The Profit before tax increased from Rs. 213 Lacs in FY: 2001 to Rs. 313 lacs in FY: 2005 with a CAGR of 9.70%. Further Profit before tax for FHY : 06 is at Rs. 313.23 Lacs, which is more than the profit before tax of full year of FY05. Now, the outlook for the textile industry has changed after the end of Quota regime in January 2005, hence we believe that with proposed expansion and value added finer counts of 40s & above, the Profit before tax would be strengthened.

Raw Material

Our Raw Material consumption to total expenses has declined from 69.4% in FY: 2001 to 60.9% in FY: 2005 and it has further decreased to 60.2% for FHY-06. At the same time Raw Material consumption to total income decreased from 65.2% in FY: 2001 to 58.5% in FY: 2005 and 56.4% in FHY-06.

Improvement in Raw Material consumed to sales is mainly due to better realization of yarn and fabric, improved industry scenario and increase in sales quantity resulting in better efficiency. Our increased production, resulting from increased capacity and sales, has strengthened our negotiating position with our suppliers and has enabled us to get higher quantity discounts and other favorable terms. Wastage in production has also decreased due to increased automation and higher width production lines leading to relatively lower raw material requirements.

Manufacturing Expenses

Our manufacturing expenses form the second largest component of total expenses. The costs are mainly Power & Fuel, Excise Duty, Stores & Spares consumed, Packing expenses and repairs & maintenance of the plant and machineries.

Rupees in Lacs

Particulars	For the financial year ended 31 st March										Half Year	
	2001		2002		2003		2004		2005		30.09.2005	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Power, Fuel & Water Charges	196	45.7	347	46.5	438	51.6	422	49.3	626	56.8	419	58.0
Stores & Spares Consumed	74	17.2	141	19.0	143	16.8	173	20.3	180	16.3	170	23.5
Packing Expenses	64	14.9	97	13.0	128	15.1	98	11.4	133	12.1	75	10.4
Repairs & Maintenance	7	1.6	9	1.2	22	2.6	23	2.7	33	3.0	15	2.1
Excise Duty	88	20.6	151	20.3	118	13.9	140	16.3	130	11.8	44	6.0
Total	429	100.0	745	100.0	849	100.0	856	100.0	1,102	100.0	723	100.0

The increase in manufacturing expenses to total expenses is due to increase in power & fuel expenses which increased from 45.7% in FY: 2001 to 56.8% in FY: 2005 and 58% for FHY-06. The power cost has increased due to the fluctuating prices of the crude oil in the global markets. The stores & spares cost has decreased from 17.2% of total manufacturing expenses in FY: 2001 to 16.3% in FY: 2005 as the replacement cost of the spares are less for high quality machineries. However, this has increased to 23.5% to total manufacturing expenses in FHY:2006 on account of increase in capacity during the last FY:2005

The Excise Duty has decreased significantly from 20.6% of total manufacturing expenses in FY: 2001 to 11.8% of total manufacturing expenses in FY: 2005 and 6% for FHY-06 due to liberal government policy towards the textile industry, benefits of excise duty concession / exemption given for exports and an increment in the proportion of exports as a percentage of total sales.

Manufacturing expenses as a percentage of total expenses have increased from 12.9% in FY: 2001 to 14.0% in FY: 2005 and 15.5% of FHY-06 due to the reasons stated above. Manufacturing expenses as a percentage to total income increased from 12.2% in FY 2001 to 13.5% in FY 2005 and 14.6% in FHY-06. With increase in our capacities and high capacity utilization, we expect manufacturing expenses as a proportion of total expenses to decrease in course of time. This is due to the fact that, once production reaches a certain minimum level, the power and labour requirements necessary to produce additional output do not increase proportionately with increases in output. Therefore, the cost per ton of output declines as capacity increases.

The use of wider and faster high capacity production lines has enabled us to decrease the per rupee cost of output. Removing bottlenecks in the production process and installing balancing equipment have led to further production efficiencies.

Personnel Expenses

Our personnel expenses consist of salaries, wages and bonus, contribution to employee benefit schemes, employee



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welfare charges and staff recruitment and training. The expenses increased from 2.1% of total expenses in FY: 2001 to 3.3% of total expenses in FY: 2005 and 3.2% in FHY-06. Also, it increased from 1.9% of total income in FY: 2001 to 3.2% of total income in FY: 2005 and 3.0% in FHY-06.

The expenses though increased but we still stand at a competitive position with respect to the industry standards. The increment in cost is due to the growth in our company as a result of expansion of the plant and general inflationary costs. With growth in the sales, volume and capacity, the top management of our company has decided to employ more professionally experienced and qualified managers to look after the day to day operational activities, marketing, plant operations and sales & distribution. The management's prudent policy in this aspect will help our company to manage the increase in sales and volume more efficiently.

Administration and Others Expenses

Our administration expenses include all the expenses related to the office, printing & stationary, rent, rates & taxes and other expenses. The percentage of costs marginally declined from 1.5% of total expenses in FY: 2001 to 1.2% of total expenses in FY: 2005 and 0.9% in FHY-06. Also, it marginally declined from 1.4% of total income in FY: 2001 to 1.2% of total income in FY: 2005 and 0.9% in FHY-06.

Selling and Distribution Expenses

Our selling expenses include the advertisement & sales promotion expenses and Sales commission. The distribution cost includes freight and forwarding expenses. The expenses increased from 3.1% of total expenses in FY: 2001 to 4.8% of total expenses in FY: 2005 and 3.5% in FHY-06. Also it increased from 3% of total income in FY: 2001 to 4.6% of total income in FY: 2005 and 3.2% in FHY-06. There has been an increase in Sales commission and Freight & Forwarding due to increase in sales.

Interest & Financial Charges

Our interest and finance charges represent expenses incurred in respect of our short-term and long-term loans and other finance charges in respect of letters of credit and other banking transactions. The average cost of term loans increased from 2.06% in FY: 2001 to 5.58% in FY: 2005. The reason for the increase in the interest & financial charges to total income from 4.6% in FY: 2001 to 7.2% in FY: 2005 is due to the regular expansion of our company for which it had availed term loans from banks and financial institutions. Our Company had taken a new loan in January 2005 for the expansion project, the benefits of which will be reflected in the current financial year. However, interest & financial charges has decreased from 7.2% in FY: 2005 to 6.0% due to higher income achieved in the last FHY:2006 as compared to FY: 2005 and also the cost of debt of our company decreased over a period of time due to continuous rationalization of the interest rate, overall decline in the interest rates in the market, availing loan by our company in recent past are under TUF Scheme wherein company gets interest subsidy of interest cost and on account of retirement of high cost debt.

Depreciation

We depreciate our tangible assets under straight-line method at the rates prescribed under Schedule-XIV of the Companies Act, 1956. Our depreciation expenses expressed as a percentage of expenses for FY: 2001, FY: 2005 and FHY-06 are 6.1%, 8.3% and 10.3% respectively. Also the depreciation to total income is 5.7% in FY: 2001 increased to 8.0% in FY: 2005 and 9.6% in FHY-06. Our recent and continuing capital expenditure on new production facilities resulted in a significant increase in depreciation expenses in absolute terms.

Earning before Interest, Depreciation and Tax (EBIDTA)

The EBIDTA of our company increased by 169.1% i.e. Rs. 976.11 Lacs from Rs. 577.24 Lacs in FY: 2001 to Rs. 1,553.35 Lacs in FY: 2005. The increase is due to better realization from sales, higher sales volumes due to capacity increase and control over operational costs. However the Profit before Tax (PBT) increased by 100.80 Lacs from Rs. 212.43 Lacs in FY: 2001 to Rs. 313.23 Lacs in FY: 2005 as due to increase in the production capacity of our company.

The six months period ended September 30, 2005

The revenues and expenditure for the six months period ended September 30th, 2005 may not be considered representative of the entire year.

Total Sales

The total sales of our company for the six months ended September 30, 2005 was Rs. 4,787 Lacs as against Rs. 8,087 Lacs for the 12 months during FY: 2005. Export sales amounted to Rs. 2,925 Lacs and domestic sales Rs. 1,862 Lacs for the current six months ended September 30th, 2005 as against Rs. 5,576 Lacs and Rs. 2,511 Lacs respectively in the FY: 2005.

Yarn sales and fabric Sales constituted 79% and 20% of the total sales respectively during the six months ended September 30, 2005.

Raw Material

Raw material cost was at 60.2% of total expenses amounting to Rs. 2,803 lacs for the FHY: 2006 as compared to 60.9% amounting to Rs. 4,783 Lacs in FY: 2005.

MANUFACTURING EXPENSES

Manufacturing expenses including excise duty amounted to Rs. 723 lacs (Excise Duty: Rs. 44 lacs) for the current six months ended September 30, 2005 as against Rs. 1,102 Lacs (excise duty Rs. 130 lacs) for the previous FY: 2005. This is on account of the project expansion that has commenced in the II half of the FY: 2005. Excise duty has been reduced as compared to previous FY: 2005 due to various reduction in Excise duty as announced in the Union Budget 2005-06.

PERSONNEL EXPENSES

The total personnel expenses for the period were Rs. 150 Lacs.

ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses for the period were Rs. 42 Lacs.

SELLING & DISTRIBUTION EXPENSES

Selling & Distribution expenses for the period were Rs. 161 lacs.

INTEREST AND FINANCIAL CHARGES

Interest and financial charges amounted to Rs. 297 lacs.

DEPRECIATION

Depreciation displayed an increase due to investment in additional spindles and rotors. The depreciation for the six months ended September 30, 2005 was Rs. 478 lacs as against Rs. 655 lacs for the previous year FY: 2005.

PROFIT/(LOSS) BEFORE TAX

Profit before tax for the six months ended September 30, 2005 amounted to Rs. 314 lacs as against Rs. 313 lacs for the previous FY: 2005 on account of increase in sales and reduction in costs.

PROFIT/(LOSS) AFTER TAX

Profit after tax was Rs. 300 Lacs for six months ended September 30, 2005 as compared to Rs. 272 Lacs for the previous FY: 2005 displaying a significant growth.

Comparison of Financial Year 2005 with Financial Year 2004**Total Income**

Total income of our Company has registered a growth of 24.44% i.e. Rs.1,605.47 Lacs from Rs. 6,568.90 Lacs in FY 2004 to Rs. 8,174.37 Lacs in FY: 2005. Export Income grew by 16.23% i.e. Rs. 779 Lacs from Rs. 4,797 Lacs to Rs. 5,576 Lacs during the same period. We have started exporting to new countries such as U.S.A. and Dubai. Other income increased by 62.38% from Rs.16.11 Lacs to 26.16 Lacs during the same period.

Raw Material Cost

Our raw material cost increased from Rs. 3,787.21 Lacs in FY 2004 to Rs. 4,782.99 Lacs in FY: 2005 recording an increase of 26.29% i.e. Rs. 995.78 Lacs. The increase in raw material cost is due to corresponding increase in production as well as sales. As a percentage of total income, our raw materials costs increased from 57.7% for the FY: 2004 to 58.5% for the FY: 2005, primarily as a result of higher unit costs for our raw materials.



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Manufacturing Cost (including Excise Duty)

The manufacturing cost increased from Rs. 855.12 Lacs in FY 2004 to Rs. 1,101.90 Lacs in FY 2005 recording an increase of 28.86% i.e. Rs. 246.78 Lacs. The increase was mainly due to increase in Sales as a result of which there was related increase in the expenses on absolute terms, higher value addition and increase in fuel prices.

Employee Cost

Employee cost increased from Rs. 217.17 Lacs in FY: 2004 to Rs. 262.15 Lacs in FY 2005 recording an increase of 20.71% i.e. Rs. 44.98 Lacs due to recent expansion project in FY 2005 for Ring Spun Yarn and corresponding increase in manpower. However, as a percentage to total income it was marginally lower than previous year (3.3% in FY: 2004 and 3.2% in FY: 2005)

Administrative and Selling expenses

These expenses increased from Rs. 397.46 Lacs in FY 2004 to Rs. 473.98 Lacs in FY 2005 registering an increase of 19.25% i.e. Rs. 76.52 Lacs, due to expansion of capacities and increase in sales.

Interest & Financial Charges

These expenses have marginally increased by 1.74% i.e. 10.01 Lacs from Rs. 575.28 Lacs in FY: 2004 to Rs.585.29 Lacs to FY: 2005. Even after increase in debt amount due to expansion project, our Company was able to control these expenses by reduction of rate of interest and optimum utilization of working capital limits.

Depreciation

Depreciation cost increased from Rs. 627.17 Lacs in FY: 2004 to Rs. 654.83 Lacs in FY: 2005 registering an increase of 4.41% i.e. 27.66 Lacs mainly due to increase in the fixed assets as a result of the expansion project.

Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA)

Our EBIDTA increased in FY: 2005 to Rs.1,553.35 Lacs which was a significant growth of 18.40% i.e. Rs. 241.41 Lacs when compared to the operating profit of Rs.1,311.94 Lacs in FY: 2004. This was primarily due to increase in revenues and various cost control measures.

Income Tax

During the FY: 05, the provision for Current & Deferred tax has been made Rs. 25.08 Lacs. Our Company is entitled for the tax benefit under section 10B of the Income Tax Act, 1961.

Profit/ (Loss) after tax

Profit after tax increased by 163.17% i.e. Rs. 178.66 Lacs; from Rs. 109.49 Lacs in FY: 2004 to Rs. 288.15 Lacs in FY: 2005, mainly on account of expanded capacities and cost control.

COMPARISON OF FINANCIAL YEAR 2004 WITH FINANCIAL YEAR 2003**Total Income**

Total income of our company registered a growth of 8.57% i.e. Rs. 518.54 Lacs from Rs. 6,050.36 Lacs in FY: 2003 to Rs. 6,568.90 Lacs in FY: 2004. Export Sales increased by 7.22% i.e. Rs. 323.00 Lacs from Rs. 4,474 Lacs in FY: 2003 to Rs. 4,797 Lacs in FY: 2004. The growth is satisfactory considering the uncertain market conditions in the year. Other income as a whole increased by 106.27% i.e. Rs. 8.30 Lacs; from Rs. 7.81 Lacs in FY: 2003 to Rs. 16.11 Lacs in FY: 2004 mainly due to currency fluctuations.

Raw-material Cost

Our raw material cost Increased from Rs. 3,263.03 Lacs in FY: 2003 to Rs. 3,787.21 Lacs in FY: 2004 recording an increase of 16.06% i.e. Rs. 524.18 Lacs mainly due to increase in prices of cotton. As a percentage to total income it increased from 53.9% to 57.7%

Manufacturing Cost (including Excise Duty)

Our manufacturing cost increased from Rs. 849.85 Lacs in FY: 2003 to Rs. 855.12 Lacs in FY: 2004 recording an increase of 0.62% i.e. Rs. 5.27 Lacs. There was only a marginal increase in cost mainly due to control in the operational costs. As a percentage to total income, the manufacturing expenses decreased from 14% in FY: 2003 to 13.0 % in FY: 2004.

Employee cost

Our employee cost marginally increased from Rs. 202.86 Lacs in FY: 2003 to Rs. 217.17 Lacs in FY 2004 recording an increase of 7.05% i.e. Rs. 14.31 Lacs, which are a normal increment in the routine course of business.

Administrative and Selling expenses

These expenses increased from Rs. 355.89 Lacs in FY: 2003 to Rs. 397.46 Lacs in FY: 2004 registering an increase of 11.68% i.e. Rs. 41.57 Lacs, due to increase in overheads and inflationary trends.

Interest & Financial charges

Our interest and financial charges decreased from Rs.626.83 Lacs in FY: 2003 to Rs.575.28 Lacs in FY: 2004 recording a drop of 8.22% i.e. Rs. 51.55 Lacs. This was possible mainly on account of repayment of term loans and reduction in interest rates.

Depreciation

Our depreciation cost had decreased marginally from Rs. 629.86 Lacs in FY: 2003 to Rs. 627.17 Lacs in FY 2004.

Earnings before Interest, Depreciation, Tax (EBIDTA)

Our EBIDTA for the FY: 2004 was Rs. 1311.94 Lacs, which was lower by 4.84% i.e. Rs. 66.79 Lacs as compared to Rs. 1378.73 Lacs in FY: 2003. The decrease is mainly due to unexpected rise in prices of cotton, which is the key raw material for cotton yarn. Our Company was not able to completely transfer the increase of Raw Material cost to its customers.

Profit/(Loss) after Tax

Our profit after tax decreased by 9.52% i.e. Rs. 11.52 Lacs from Rs. 121.01 Lacs in FY: 2003 to Rs. 109.49 Lacs in FY: 2004 mainly on account of higher costs of raw materials.

COMPARISON OF FY 2003 WITH FINANCIAL YEAR 2002

Total Income

The total income of our company registered a growth of 26.16% i.e. Rs. 1,254.75 Lacs from Rs. 4,795.61 Lacs in FY: 2002 to Rs. 6,050.36 Lacs in FY: 2003. Export Income grew from Rs. 3,049 Lacs in FY: 2002 to Rs. 4,474 Lacs in FY: 2003 representing an increase of 46.74% i.e. Rs. 1,425 Lacs.

Raw-material Cost

Our raw material cost increased marginally from Rs. 3,049.69 Lacs in FY: 2002 to Rs. 3,263.03 Lacs in FY: 2003 representing an increase of 7.00% i.e. Rs. 213.34 Lacs. However, as a percentage of total income, it substantially dropped from 63.6% to 53.9% mainly due to higher value addition in ring spun yarns and change in product mix.

Manufacturing Cost (including Excise Duty)

Our manufacturing cost increased from Rs.744.81 Lacs in FY: 2002 to Rs. 849.85 Lacs in FY: 2003 recording an increase of 14.10% i.e. Rs. 105.04 Lacs mainly due to increase in production capacities and total revenues.

Employee cost

Our employee cost increased from Rs. 176.79 Lacs in FY: 2002 to Rs. 202.86 Lacs in FY: 2003 recording an increase of 14.75% i.e. Rs. 26.07 Lacs due to increase in number of workmen and normal inflationary trend.

Administrative and Selling expenses

Our administration and selling expenses increased from Rs. 261.03 Lacs in FY: 2002 to Rs. 355.89 Lacs in FY: 2003 representing an increase of 36.34% i.e. Rs. 94.86 Lacs, due to increase in overheads, transportation cost and export cargo freight charges by shipping company. Company also started selling its product in countries that were incurring higher freight cost.

Interest & Financial expenses



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Our interest & financial expenses substantially increased by 436.90% i.e. Rs. 510.08 Lacs from Rs.116.75 Lacs in FY: 2002 to Rs. 626.83 in FY: 2003 mainly on account of interest on term loans availed by our company.

Depreciation

Our depreciation cost increased from Rs. 204.52 Lacs in FY: 2002 to Rs. 629.86 Lacs in FY: 2003, an increase of 207.97% i.e. Rs. 425.34 Lacs due to built-up of additional fixed assets during the course of expansion project of our company.

EBIDTA

Our EBIDTA increased from Rs.563.29 Lacs in FY: 2002 to Rs.1,378.73 Lacs in FY: 2003 representing an increase of 144.76% i.e. Rs. 815.44 Lacs. The increase is due to higher volume, better realization of new product mix initiated by our company.

Profit/(Loss) after Tax

Our profit after tax decreased by 50% i.e. Rs. 121.01 Lacs from Rs.242.02 Lacs in FY: 2002 to Rs.121.01 Lacs in FY: 2003 mainly on account of higher depreciation and interest & financial charges.

COMPARISON OF FY 2002 WITH FY 2001

Total Income

Our total income registered a growth of 36.02% i.e.1,269.82 Lacs from Rs. 3,525.79 Lacs in FY: 2001 to Rs. 4,795.61 Lacs in FY: 2002. Export income grew from Rs.1,830 Lacs in FY: 2001 to Rs.3,049 Lacs in FY: 2002 representing a growth of 66.61% i.e. Rs. 1,219 Lacs. Other income marginally increased from Rs.3.95 Lacs in FY: 2001 to Rs. 4.48 Lacs in FY: 2002.

Raw Material Cost

Our raw material cost increased from Rs.2,300.21 Lacs in FY: 2001 to Rs. 3,049.69 Lacs in FY: 2002 recording an increase of 32.58% i.e. Rs. 749.48 Lacs mostly due to increase in sales and production.

Manufacturing Cost (including Excise Duty)

Our manufacturing cost increased from Rs. 428.90 Lacs in FY: 2001 to Rs. 744.81 Lacs in FY: 2002 recording an increase of 73.66% i.e. Rs. 315.91 Lacs mainly due to increase in maintenance expenses, fuel cost, and excise duties. However as a percentage to total income, the manufacturing expenses increased from 12.16% in FY: 2001 to 15.53% FY: 2002.

Employee cost

Our employee cost increased from Rs. 67.93 Lacs in FY: 2001 to Rs. 176.79 Lacs in FY: 2002 recording an increase of 160.25% i.e. of Rs. 108.86 Lacs due to setting up of new plant.

Administrative and Selling expenses

Our administrative and selling expenses increased from Rs. 151.51 Lacs in FY: 2001 to Rs. 261.03 Lacs in FY: 2002 registering an increase of 72.29% i.e. Rs. 109.52 Lacs due to increase in overheads and increase in operations of company.

Interest and financial charges

Our interest and financial charges came down from Rs.162.23 Lacs to Rs.116.75 Lacs mainly on account of better utilization of working capital limits.

Depreciation

Our depreciation cost increased marginally from Rs. 202.58 Lacs in 2001 to Rs. 204.52 Lacs in FY: 2002.

EBIDTA

Our operating profit decreased by 2.42% i.e. Rs. 13.95 Lacs from Rs.577.24 Lacs in FY: 2001 to Rs.563.29 Lacs in FY: 2002. There was a marginal fall as EBIDTA due to increase in manufacturing expenses and employee cost during the year.

Profit/(Loss) after tax

Profit after tax was Rs. 242.02 Lacs in FY: 2002, as compared with the profit of Rs. 211.84 Lacs in FY: 2001 representing an increase of 14.25% i.e. Rs. 30.18 Lacs. This was possible mainly on account of saving in interest costs.

REVIEW OF FINANCIAL POSITION

Fixed Assets

Fixed assets are comprised mainly of land and buildings, plant and machinery, furniture and fixtures, office equipment, computers, vehicles and capital work in progress (in respect of the factory premises of our new production lines).

Particulars	31.3.2001	31.3.2002	31.3.2003	31.3.2004	31.3.2005	30.9.2005
Gross Block	2,168	7,054	7,152	7,146	11,029	11,098
Less : Depreciation	858	1,059	1,688	2,307	2,961	3,438
Net Block	1,310	5,995	5,464	4,839	8,068	7,660
Capital Work in Progress	3,695	-	-	2,537	-	450
Total	5,005	5,995	5,464	7,376	8,068	8,110

(Note: The amount shown under the heading capital work in progress represents the expenses incurred on purchasing/ procuring/ installing the plant & machinery, building, electric installation as well as pre-operative expenses in relation to the assets of our Company. When the assets are put to use in production, the relevant values are transferred to the head of assets and capital work in progress become nil. The value of capital WIP shown Rs. 3,695 Lacs in FY: 01, Rs. 2,537 Lacs in FY: 2004 and Rs. 450 Lacs in FHY: 2006 represent these types of expenses.)

We have invested significant amounts over the past five years to increase our production capacity for yarn and fabrics. Our asset base increased from Rs.2,168 Lacs in FY: 2001 to Rs. 11,029 Lacs in FY: 2005. We have imported machineries from reputed multinational companies such as Reiter from Switzerland, Schlafhorst and Meyer & Cie from Germany, Savio from Italy, Man B&W from Denmark, etc. Some of the benefits of using imported machineries are low power/fuel consumption, reduced manpower requirements, reduced recyclable waste, reduced non-usable waste and others.

Installed Capacity of Machineries (in Nos.)

Particulars	FY: 2001	FY: 2002	FY: 2003	FY: 2004	FY: 2005	FHY: 2006
Spindles	14,112	14,112	14,112	14,112	27,216	27,216
Rotors	1,464	1,464	1,464	1,464	1,872	1,872
Knitting Machines	-	7	7	7	15	15

Investments

Our Company is having negligible investments.

Current Assets

Current assets consist of inventories, trade and other debtors, cash and bank balances, loans and advances and other receivables. Current assets have generally increased in line with the growth of our business activities.

Current assets increased by Rs. 405.48 Lacs, or 16.62%, from Rs. 2,439.35 Lacs as at March 31, 2003 to Rs. 2,844.83 Lacs as at March 31, 2004 due to increases in inventories of Rs. 138.29 Lacs, cash and bank balances of Rs. 40.13 Lacs and loans and advances of Rs. 281.26 Lacs. However the sundry debtors decreased from Rs. 351.29 Lacs to Rs. 297.09 Lacs because of better debtor management.

Inventories are 69.32% of total current assets as at March 31, 2004. The increase in inventories from Rs. 1,833.61 Lacs as at March 31, 2003 to Rs. 1,971.90 Lacs as at March 31, 2004 was attributable to the seasonal availability of the raw



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material -cotton, which is available in the market at the optimum cost from October to March of every year. So our company keeps the inventory of raw material to reduce the cost of procurement of cotton at high cost during the period of April to September. Also our inventories turnover period decreased from 205 days to 190 days.

Debtors accounted for 10.44% of total current assets as at March 31, 2004. Debtors decreased from Rs. 351.29 Lacs as at March 31, 2003 to Rs. 297.09 Lacs as at March 31, 2004. Also the debtors' turnover decreased from 21 days to 17 days. The decrease is due to better debtor management by our company.

Cash and bank balances accounted for 2.59% of total current assets as at March 31, 2004. Cash and bank balances increased from Rs. 33.47 Lacs as at March 31, 2003 to Rs. 73.60 Lacs as at March 31, 2004.

Loans and advances accounted for 17.65% of total current assets as at March 31, 2004. Loans and advances increased from Rs. 220.98 Lacs as at March 31, 2003 to Rs. 502.24 Lacs as at March 31, 2004 due to an increase in advances to suppliers and other prepayments associated with increased sales.

Current assets increased by Rs. 1,239.25 Lacs, or 43.56%, from Rs. 2,844.83 Lacs as at March 31, 2004 to Rs. 4,084.08 Lacs as at March 31, 2005 due to increases in inventories of Rs. 861.22 Lacs, sundry debtors of Rs. 330.14 Lacs, loans and advances of Rs. 41.65 Lacs and cash and bank balances of Rs. 6.24 Lacs.

Inventories made up 69.37% of total current assets as at March 31, 2005. The increase in inventories from Rs. 1,971.90 Lacs as at March 31, 2004 to Rs. 2,833.12 Lacs as at March 31, 2005 was attributable to the increase in production output to meet increased demand for our yarns. Our inventories turnover period increased from 190 days to 216 days.

Debtors accounted for 15.36% of total current assets as at March 31, 2005. Debtors increased from Rs. 297.09 Lacs as at March 31, 2004 to Rs. 627.23 Lacs as at March 31, 2005 due to increase in sales. Debtors' turnover increased from 17 days to 28 days.

Cash and bank balances accounted for 1.95% of total current assets as at March 31, 2005. Cash and bank balances increased marginally from Rs. 73.60 Lacs as at March 31, 2004 to Rs. 79.84 Lacs as at March 31, 2005.

Loans and advances accounted for 13.32% of total current assets as at March 31, 2005. Loans and advances increased from Rs. 502.24 Lacs as at March 31, 2004 to Rs. 543.89 Lacs as at March 31, 2005 due to an increase in advances to suppliers and other prepayments associated with increased sales.

Current Assets decreased by merely 16.98 Lacs or 0.42% from Rs. 4,084.08 Lacs as at March 31st, 2005 to Rs. 4,067.10 Lacs as at September 30th, 2005.

Inventories are 66.47% of total Current Assets as at September 30th, 2005. The decrease in inventory by 2.90% as compared to FY:05 was mainly due to lower stock in view of coming new cotton crop. Our inventories turnover period decreased from 216 days to 176 days.

Debtors accounted for 11.55% of total Current Assets as at 30th September, 2005. Debtors decreased from Rs. 627.23 Lacs as at March 31st 2005 to Rs. 469.79 Lacs as at 30th September, 2005 due to faster realisation of receivables. Debtors turnover decreased from 28 days to 18 days.

Cash & Bank Balances accounted for 3.18% of total Current Assets as at September 30th, 2005. Cash and Bank balances increased from Rs. 79.84 Lacs as at March 31st, 2005 to Rs. 129.17 Lacs as at September 30th, 2005 mainly on account of short term fixed deposits with banks.

Loans & Advances accounted for 18.80% of total Current Assets as at September 30th, 2005. Loans & Advances increased from Rs.543.89 Lacs as at March 31st, 2005 to Rs. 764.78 Lacs as at September 30th, 2005 due to an increase in advances to suppliers and other prepayments associated with normal business activities.

Current Liabilities and Provisions

Current liabilities comprise accounts payable, security deposits, deposits received and accrued liabilities, tax payable and dividend payable.

Current Liabilities and provisions decreased by Rs. 193.01 Lacs, or 46.70%, from Rs. 413.29 Lacs as at March 31st, 2005 to Rs. 220.28 Lacs as at September 30th, 2005 due to decrease in accounts payable by Rs. 176.50 Lacs, decrease in

liabilities for expenses and other creditors by Rs. 37.21 Lacs. However, provision for taxation (including dividend tax) increased by Rs. 20.72 Lacs due to higher profit for the half year ended September 30th 2005.

Current Liabilities and Provisions increased by Rs. 134 Lacs, or 47.98%, from Rs. 279.29 Lacs as at March 31, 2004 to Rs. 413.29 Lacs as at March 31, 2005 due to increase in accounts payable of Rs. 154.37 Lacs, liabilities for other expenses and creditors by Rs. 33.02 Lacs offset by the decrease in the Interest accrued but not due of Rs. 55.98 Lacs and provisions increased by Rs. 2.59 lacs.

Current liabilities and provisions increased by Rs. 105.83 Lacs, or 61.01%, from Rs. 173.46 Lacs as at March 31, 2003 to Rs. 279.29 Lacs as at March 31, 2004 due to increase in liabilities for expenses of Rs. 35.39 Lacs, interest accrued but not due of Rs. 64.13 Lacs, other creditors of Rs. 6.31 Lacs.

Non-Current Liabilities

Non-current liabilities consist of long-term secured loans, long-term unsecured loans and deferred tax liabilities.

Non-Current Liabilities decreased by Rs. 854.04 Lacs or 9.96% from Rs. 8,575.57 Lacs as at March 31st, 2005 to Rs. 7,721.53 Lacs on account of decrease in secured loans of Rs. 792.44 Lacs, deferred tax liabilities of Rs.10.52 Lacs and repayment of unsecured loans of Rs. 51.08 Lacs during that period.

Non-current liabilities increased by Rs. 1,537.25 Lacs, or 21.8%, from Rs. 7,038.32 Lacs as at March 31, 2004 to Rs. 8,575.57 Lacs as at March 31, 2005 on account of increase in long-term secured loans of Rs. 1,530.19 Lacs, deferred tax liabilities of Rs. 16.34 Lacs and decrease in unsecured loans of Rs. 9.28 Lacs during that period.

Non-current liabilities increased by Rs. 1,408.02 Lacs, or 25.01%, from Rs. 5,630.30 Lacs as at March 31, 2003 to Rs. 7,038.32 Lacs as at March 31, 2004 mainly due to increase in long-term secured loans of Rs. 1,437.96 Lacs.

Net Worth

Net Worth increased by Rs.1,072.53 Lacs, or 33.91% from Rs. 3,163.04 Lacs as at March 31st, 2005 to Rs. 4,235.57 Lacs as at September 30th, 2005 mainly due to receipt of Share Application Money of Rs. 781 Lacs and increase in net profit by Rs. 291.53 Lacs during the half year ended September 30th, 2005.

Net worth increased by Rs. 259.71 Lacs, or 8.95%, from Rs. 2903.33 Lacs as at March 31, 2004 to Rs. 3163.04 Lacs as at March 31, 2005 due to increase in net profit during the financial year, 2005.

Net worth increased by Rs. 803.90 Lacs, or 38.29%, from Rs. 2099.43 Lacs as at March 31, 2003 to Rs. 2903.33 Lacs as at March 31, 2004 mainly due to increase in share capital by Rs. 380.35 Lacs, share application money of Rs. 167.51 Lacs, share premium amount of Rs. 152.14 lacs and the net profit available for appropriations during the period of Rs. 103.90 Lacs.

Capital Expenditure and Capital Commitments

Our capital expenditures for the fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and Half Year Ended 30th September, 2005 are as follows:

Rs. in Lacs

Particulars	For the financial year ended 31 st March					Half Year Ended 30.09.2005
	2001	2002	2003	2004	2005	
Freehold Land	1	-	11	1	4	-
Buildings	-	835	27	8	491	4
Plant & Machinery	2	3,937	58	1	3,169	11
Electric Installation	-	81	5	1	210	28
Furniture & Fixture	-	10	5	0	6	5
Office Equipments	-	24	5	2	5	9
Vehicles	1	4	10	-	1	16
Total	4	4,891	121	13	3,886	73



Over the years, we have invested substantially in manufacturing plant and machineries in order to upgrade and enhance our production capacities and product range in our effort to provide quality products to our clients at competitive prices.

Liquidity & Capital Resources

We have financed our operations, growth and expansion from promoters' equity, internal accrual and external borrowing from financial institutions / banks. Our main uses of funds have been capital expenditure, purchases of raw material and funds for operating expenses.

Rs. in Lacs

Particulars	For the financial year ended 31 st March					Half Year Ended 30.09.2005
	2001	2002	2003	2004	2005	
Cash at Open	15.80	38.51	35.26	33.47	73.60	79.84
Net cash from operating activities	275.64	(125.21)	908.50	944.04	419.95	921.68
Net cash from investing activities	(3,629.69)	(1,192.21)	(96.41)	(2,534.38)	(1,341.57)	(521.04)
Net cash used in financing activities	3,376.76	1,314.17	(813.88)	1,630.47	927.86	(351.31)
Cash at the year end	38.51	35.26	33.47	73.60	79.84	129.17

Net Cash Generated from Operating Activities

Cash generated from operating activities was mainly from the production and sale of cotton yarn and knitted fabrics. Our Company has made consistent positive cash flow from operations before working capital changes between FY: 2001 to FY: 2005 and also during the half year ended 30th September, 2005. However in FY: 2002 due to additional built-up of inventory, net operational cash flow was negative at Rs.125.21 Lacs.

For FHY:2006, the cash generated from operating activities after working capital changes was Rs. 1,064.59 lacs as compared to Rs. 1,481.55 lacs for FY:2005. During the period there was decrease in inventories of Rs.129.76 lacs, Trade Receivables Rs.157.44 lacs, an increase in loans & advances of Rs. 220.89 lacs and decrease in sundry creditors by Rs. 208.89 lacs. Taking into account these adjustments, net cash provided from operating activities was increased from Rs. 419.95 lacs to Rs. 921.68 lacs. The increase was mainly attributable to decrease in inventory by Rs. 129.76 lacs and decrease in trade receivables by Rs. 157.44 Lacs in FHY: 2006 as compared to FY: 2005.

For the FY: 2005, the cash generated from operating activities after working capital changes was Rs. 419.95 Lacs compared to Rs. 944.04 Lacs for FY: 2004. During the period there was increase in inventories of Rs.861.22 Lacs, an increase in trade receivables of Rs. 330.14 Lacs, an increase loans and advances of Rs.35.35 Lacs and an increase in sundry creditors by Rs.190.28 Lacs. Taking into account these adjustments, net cash provided from operating activities decreased from Rs. 944.04 Lacs in FY: 2004 to Rs. 419.95 Lacs in FY: 2005. The decrease is mainly attributable to increase in inventory which was Rs.138.29 Lacs in FY: 2004 against Rs. 861.22 Lacs in FY: 2005.

Operating profit before working capital changes was Rs. 566.10 Lacs, Rs.536.08 Lacs; Rs. 1,328.50 Lacs and Rs. 1,268.99 Lacs respectively in FY: 2001, FY: 2002, FY: 2003 and FY: 2004. The cash outflow due to working capital changes was Rs. 290.46 Lacs, Rs. 661.49 Lacs; Rs. 420.00 Lacs and Rs. 324.95 Lacs respectively in FY: 2001, FY: 2002, FY: 2003 and FY: 2004. This has resultant in cash flow from operating activities at Rs. 275.64 Lacs, Rs. -125.21 Lacs; Rs. 908.50 Lacs and Rs. 944.04 Lacs respectively in FY: 2001, FY: 2002, FY: 2003 and FY: 2004.

Net Cash used in Investing Activities

Our capital expenditures for the last five years from FY: 2001 to FY: 2005 and also half year ended 30th September, 2005 related mainly to the expansion of cotton yarn manufacturing facilities and setting of Fabric Knitting machines by purchase of new fixed assets in order to improve and/or expand our production facilities.

In FHY: 2006 net cash used in investing activities was decreased by Rs. 820.53 lacs from Rs. 1,341.57 lacs in FY: 2005 to Rs. 521.04 lacs in FHY: 2006.

For the FY: 2005, net cash used in investing activities decreased by Rs. 1,192.81 Lacs from Rs. 2,550.38 Lacs in FY: 2004 to Rs.1,348.81 Lacs in FY: 2005. Our Company has undertaken expansion plan by addition of 13104 spindles, and

6 knitting machine, which commenced in FY: 2004 and was completed in FY: 2004-05. Thus substantial expenses towards project were made in FY: 2004 and balance in FY: 2005. In FY: 2005 company has also installed 408 Rotors and 2 Knitting Machine with capital outlay of Rs. 250 Lacs.

We have made expansion in our cotton yarn and knitting facilities on regular basis this has resulted in net cash used for investment activities at Rs.3,629.69 Lacs, Rs.1,192.21 Lacs and Rs. 96.41 Lacs respectively in FY: 2001, FY: 2002 and FY: 2003 respectively.

Net Cash Generated from/used in financing activities

Net cash generated by financing activities in FHY: 2006 was decreased by Rs. 1,279.17 lacs from Rs. 927.86 lacs in FY: 2005 to Rs. -351.31 lacs in FHY: 2006. The cash flows include receipts of share applications money of Rs. 781.00 lacs and long term borrowing of Rs. 10 lacs. These inflows were offset by repayment of short-term borrowing of Rs. 513.48 lacs, a long term borrowing of Rs. 288.96 lacs and unsecured loan of Rs. 51.08 lacs, payment of interest of Rs. 7.69 lacs and payment of dividend & dividend tax of Rs. 17.19 lacs in FHY: 2006.

Net cash generated by financing activities for FY: 2005 decreased by Rs. 702.61 Lacs from Rs.1,630.47 Lacs in FY: 2004 to Rs. 927.86 Lacs in FY: 2005. The cash inflows included proceeds from borrowings of Rs. 2,271.99 Lacs in FY: 2005 (Rs. 1,642.77 Lacs in FY: 2004). In FY: 2004 cash flow also include Rs.380.35 Lacs towards Share Capital, Rs.167.51 Lacs towards Share application Money and Rs.152.14 Lacs towards Share Premium. The cash inflows were partially offset by repayment of loan Rs. 741.81 Lacs, interest paid Rs. 574.44 Lacs and dividend with tax Rs.18.6 Lacs in FY: 2005 (repayment of loan Rs. 204.80 Lacs, interest paid Rs. 472.25 Lacs and dividend with tax Rs. 26.25 Lacs for FY: 2004.)

In FY: 2004, net cash generated by financing activities increased by Rs. 2,444.35 Lacs from net cash outflow of Rs. 813.88 Lacs in FY: 2003 to Net cash inflow of Rs. 1,630.47 Lacs in FY: 2004. The cash inflows included proceeds from borrowings of Rs. 1,642.77 Lacs, Rs.380.35 Lacs towards Share Capital, Rs.167.51 Lacs towards Share application Money and Rs.152.14 Lacs towards Share Premium. The cash inflows were partially offset by repayment of loan Rs. 204.80 Lacs, interest paid Rs. 472.55 Lacs and dividend with tax Rs. 26.25 Lacs (repayment of loan Rs. 356.47 Lacs, interest paid Rs. 579.82 Lacs and dividend Rs. 37.57 Lacs in FY: 03).

Net cash flow from financing activities was Rs.3,376.76 lacs in FY:2001 and Rs.1,314.17 lacs in FY:2002. The cash inflow in FY: 2001 comprise Rs.863.40 towards additional Share Capital, Long term borrowing Rs. 2,836.51 Lacs.

Indebtedness

Our Company as on 30th September, 2005 is having the following borrowings:

Rs. in Lacs

Bank / FI	Nature of Loan	Sanctioned	O/S	Repayment in FY			
				06 #	07	08	Post 08
IDBI & Other Banks	Term Loan & Vehicle Loan	6,285.00	5,284.47	120.06	1,153.43	828.61	3,182.37
IDBI	Preference Shares	150.00	150.00	25.00	50.00	50.00	25.00
Total		6,435.00	5,434.47	145.06	1,203.43	878.61	3,207.37

For the balance 6 months from October, 05 to March, 06.

For details of loans sanctioned, repayments and other key terms of our outstanding indebtedness etc., please refer to the section entitled "Financial Statements" on page 123 of this Red Herring Prospectus.

Related Party Transactions

For details of related party transactions, please refer to the section titled "Related Party Disclosures" on page 140 of this Red Herring Prospectus.

FINANCIAL MARKET RISKS

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates, inflation & exchange fluctuation

Interest Rate Risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to the loans as on September 30, 2005 as the interest rate could vary in the near future. Though loans are currently linked to respective institutions PLR, any rise in interest rates could have our lenders push higher rates of interest on the loans (as applicable to our company).

Effect of Inflation

We are affected by inflation as it may have an impact on the increment in cost of raw material, employee costs, fuel and power costs.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

a. Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place during the last three years.

b. Significant Economic changes that has materially affected or are likely to affect income from continuing operations:

Government's focus on Textile Industry will have major bearing on the companies involved in Textile sector. Any major changes in policies of the Government would have the significant impact on the profitability of our Company.

Except the above, there are no significant economic changes that may materially affect or likely to affect income from continuing operations.

c. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations:

Apart from the risks as disclosed on page 10 under heading "Risk Factors" in this Red Herring Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations.

d. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known:

Our raw material to total expenses has declined from 69.4% in FY 2001 to 60.9% in FY: 2005 and 60.2% in FHY: 06. At the same time, Raw Material Cost to Total income has decreased from 65.2% in FY 2001 to 58.5% in FY 2005 and 56.4% in FHY: 06, and similarly personnel expenses have also decreased from 3.7% in FY 2002 to 3.2% in FY:2005 and 3% in FHY: 06. Further, the cost of materials and operating expenses would decline due to substantial expansion of capacity under the proposed project. We also believe that manufacturing higher count combed yarn from proposed expansion will enable us to get higher realization in the market, hence, proportionate raw material and labour cost to total income would decline.

e. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices:

The increase in turnover is mainly on account of expansion projects and corresponding increase in Production Capacity beside better realization per unit.

f. Total turnover of each major industry segment in which our Company operates:

Our Company is operating only in one segment namely Textiles and the total turnover reported by our Company is from this one segment only.

g. Status of any publicly announced new products or business segment:

Our Company has not announced any new segment; however, we are proposing to manufacture finer counts of Cotton Yarns through the proposed expansion project.

h. The extent to which business is seasonal:

The business of our Company is not seasonal in nature.

i. Any significant dependence on a single or few suppliers or customers:

Our Company sources raw materials from a number of suppliers and is not under threat from excessive dependence on any single or few suppliers. Similarly, our Company has customers in the domestic as well as global market and hence there is no dependence on any single or few customers.

j. Competitive conditions :

Our Company faces competition from large and integrated players. Our Company is medium in size as compared to the market leaders like Vardhman Industries, Abhishek Industries, GTN Textiles, Nahar Spinning Mills, etc. However, after completing the proposed expansion, our Company will be able to achieve economies of scale of operations in production of Cotton Yarns and knitted fabric.

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated herein, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (l) of Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company, our Directors or our Promoters or companies promoted by our Promoters and there are no defaults to banks/financial institutions, non-payment of or overdue statutory dues, or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters or Directors. Further, except as stated herein, there are no past cases in which penalties have been imposed on our Company or our Promoters, Directors or companies promoted by the Promoters by concerned authorities, and there is no outstanding litigation against any other company whose outcome could have a material adverse effect on the position of the Company. Further, except as stated herein, there are no cases of litigations, defaults, etc. in respect of companies/firms/ventures with which the Promoters were associated in the past but are no longer associated, in respect of which the name(s) of the Promoters continues to be associated with those litigation(s).

Outstanding litigations, defaults, etc. involving our Company, our Directors and past cases in which penalties imposed:

Cases filed by our Company

A. Sales Tax Cases

- A1. A truck bearing No. RJ-02-G1125 was detained at Behrampur Road, Gurgaon (Haryana) on 7th March, 2002 under Section 37(5) of the Haryana General Sales Tax Act, 1973 on the grounds that the inward bill number and the date were not filled in the Form S.T.38. Show Cause Notice No. 18 dated 7th March, 2002 was issued to our Company, and our Company was directed to pay a penalty of Rs. 1,40,000/- (Rupees One Lac Forty Thousand) by the Assessing Authority, Gurgaon (West) vide Order dated 22nd March, 2002. Our Company has filed an appeal against the aforesaid order before the Joint Excise and Taxation Commissioner (Appeals), Rohtak Circle, Rohtak and the said appeal is pending. The said amount of Rs. 1,40,000/- has already been deposited with the concerned authorities.

B. Excise and Service Tax Cases

- B1. A Show Cause Notice No. V(52)4/42/2001/6551 dated 25th September, 2001 has been issued to our Company, alleging inter alia the misuse of CT-3 Certificates to obtain capital goods exempted from payment of excise duty. The facts of the case are that our Company procured capital goods, being fibre glass and aluminium sections without payment of duty under Notification No. 1/95-CE dated 4th January, 1995 by issuing CT-3 certificates. The said notification permits a 100% EOU to obtain excisable goods from domestic units in connection with "manufacture and packing of articles". The fibre glass and aluminium sections were used for construction of a false ceiling in the humidification plant. However, successive Excise authorities, the latest being the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), New Delhi have held that the use of the fibre glass and aluminium sections in the false ceilings is not covered by the Notification No. 1/95-CE dated 4th January, 1995 and thus our Company is liable to pay excise duty on the same. The amount involved is Rs. 2,30,292/- (Rupees Two Lacs Thirty Thousand Two Hundred Ninety Two), being Rs. 1,80,292/- (Rupees One Lac Eighty Thousand Two Hundred Ninety Two) on account of excise duty and Rs. 50,000/- (Rupees Fifty Thousand) as penalty on our Company under Rule 173Q of the Central Excise Rules. Our Company has filed an appeal before the Rajasthan High Court, at Jodhpur against the order of CESTAT, New Delhi and the said appeal is pending.
- B2. A Show Cause Notice No. V(52)15/Seiz.off./29/2001/1923 dated 20th March, 2002 has been issued to our Company, alleging inter alia that 6,322.92 Kgs. of 100% cotton yarn valued at Rs. 5,25,378/- (Rupees Five Lacs Twenty Five Thousand Three Hundred Seventy Eight) was unaccounted in the daily stock register (on a surprise inspection by Excise officials on 27th September, 2001) with an intent to remove the same clandestinely without payment of Central Excise duty leviable thereon. In appeal before the Commissioner (Appeal - II), Customs & Central Excise by our Company against the order of the Deputy Commissioner, Central Excise Division, Bhilwara, the redemption fine (the fine to be paid by our Company to redeem the confiscated 6,322.98 Kgs. of cotton yarn in lieu of its confiscation) was reduced from Rs. 1,00,000 (Rupees One Lac) to Rs. 10,000 (Rupees Ten Thousand) and the quantum of penalty on our Company was also reduced from Rs. 25,000 (Rupees Twenty Five Thousand)

to Rs. 5,000 (Rupees Five Thousand). Our Company has paid the redemption fine of Rs. 10,000/- and penalty of Rs. 5,000/- with the concerned authorities and has filed an appeal before the CESTAT, New Delhi against the aforesaid order of Commissioner (Appeal – II). The said appeal is pending.

- B3. A Show Cause Notice No. V(52)4/23/2000/6049 dated 22nd December, 2000 has been issued to our Company under the Additional Duties of Excise (Textile & Textile Articles) Act, 1978, demanding Additional Excise Duty amounting to Rs. 5,49,140/- (Rupees Five Lacs Forty Nine Thousand One Hundred Forty) for clearance of 7,45,426 Kgs. cotton yarn in the domestic tariff area during the period 1st March, 2000 to 6th September, 2000. This cotton yarn was cleared without the payment of Additional Excise Duty under the Additional Duties of Excise (Textile & Textile Articles) Act, 1978. Our Company's contention is that it is entitled to clear the goods without payment of additional excise duty under exemption Notification No. 55/91-CE, and in terms of the Circular issued by the Ministry of Finance dated 20th March, 1998. However, successive Excise authorities, the latest being the CESTAT, New Delhi have held that our Company is liable to payment of additional excise duty under the Additional Duties of Excise (Textile & Textile Articles) Act, 1978 in respect of cotton yarn cleared in the domestic tariff area during the period 1st March, 2000 to 6th September, 2000. However, the CESTAT has also held that our Company is entitled to abatement of duty (payable) from the cum-duty price. The amount involved is Rs. 5,02,875 (Rupees Five Lacs Two Thousand Eight Hundred Seventy Five), being the amount of liability as estimated by our Company after CESTAT's decision to allow our Company abatement of duty (payable) from the cum-duty price, which amount has already been deposited with the concerned authorities. Our Company has filed an appeal in the Supreme Court against the aforesaid CESTAT order, and the appeal is pending.
- B4. A Show Cause Notice No. V(52)15/Off.Adj.-II/93/2003/2781 dated 15th September, 2003 has been issued to our Company, alleging, pursuant to a surprise inspection by Excise officials on 27th September 2001, inter alia that 17,788.08 Kgs. of 100% cotton yarn of different varieties valued at Rs. 12,32,797/- was found short on physical verification, and 30,594.54 Kgs. of cotton yarn of different varieties valued at Rs. 23,41,446/- was produced and cleared clandestinely. The Joint Commissioner of Central Excise has passed an order dated 30th September, 2004, directing our Company to pay Rs. 12,99,022/- (Rupees Twelve Lacs Ninety Nine Thousand Twenty Two) as Central Excise duty on the aforesaid goods alongwith interest, and an equivalent amount (that is, Rs. 12,99,022/-) has been imposed upon our Company as penalty under Section 11-AC of the Central Excise Act, 1944. A personal penalty of Rs. 1,00,000/- (Rupees One Lac) has also been imposed on Mr. Dinesh Nolkha, Managing Director of our Company, under Rule 26 of the Central Excise (No. 2) Rules, 2001. Our Company has filed an appeal before the Commissioner (Appeals – II), Customs & Central Excise, and has obtained a stay against the order of the Joint Commissioner dated 30th September, 2004. Our Company has already deposited an amount of Rs. 6,49,152 (Rupees Six Lacs Forty Nine Thousand One Hundred Fifty Two) against this stay order. The said appeal is pending.
- B5. A Show Cause Notice No. V(52)15/Seiz-off/99/99/5913 dated 29th October, 1999 has been issued to our Company, alleging inter alia that cotton yarn in cone form, which is subject to excise duty, was removed from the factory in the guise of plain hank yarn, which is exempted from excise duty. In pursuance of the order passed by the Commissioner of Central Excise dated 2nd May, 2001 a duty demand of Rs. 41,81,382 (Rupees Forty One Lacs Eighty One Thousand Three Hundred Eighty Two) along with interest was raised on our Company, in addition to penalties amounting to Rs. 41,13,094/- (Rupees Forty One Lacs Thirteen Thousand and Ninety Four) being imposed on our Company (Rs. 26,13,094 under Section 11AC of the Central Excise Act, Rs. 10,00,000/- under Rule 173Q the Central Excise Rules and Rs. 5,00,000/- as redemption fine totalling to Rs. 41,13,094/-). A penalty of Rs. 5,00,000/- each was also imposed on Mr. Dinesh Nolkha, Managing Director of our Company and five other employees of our Company under Rule 209-A of the Central Excise Rules, 1944, amounting to a total of Rs. 30,00,000/- (Rupees Thirty Lacs). Our Company has already deposited Rs. 21,42,304/- (Rupees Twenty One Lacs Forty Two Thousand Three Hundred and Four) with the concerned authorities.

However, vide order no. 79 to 88/05 – NBA dated 24th January, 2005 the CESTAT, New Delhi has (except for confirming a duty demand for Rs. 5,41,250 (Rupees Five Lacs Forty One Thousand Two Hundred Fifty) which was not contested by our Company) set aside the aforesaid orders of the Commissioner and Commissioner (Appeals) and remanded the matter back to the Adjudicating Authority for deciding afresh on the ground that certain documents relied upon by the Adjudicating Authority were supplied to our Company only during the pendency of the appeals before the CESTAT, and not earlier.



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In the meanwhile our Company (and other applicants as impleaded in this matter) applied to the Customs and Central Excise Settlement Commission (the "Settlement Commission") for settling the matter. The Settlement Commission, vide its Final Order no. F-342/CE/05-SC (PB) dated October 5, 2005 settled the applications, settling the final duty liability of our Company at Rs. 39,54,022/- (Rupees Thirty Nine Lacs Fifty Four Lacs Twenty Two), which amount has already been deposited by our Company with the concerned authorities. The said order has also granted immunity to all applicants from imposition of penalty under the Central Excise Act. The Settlement Commission has also imposed interest @ 10% per annum on the duty amount finally settled from the date the duty was due till the date(s) payment of duty, and the computation of this interest is pending with the Central Excise Department. However, the Settlement Commission has not granted immunity from prosecution to any person in respect of criminal proceedings pending as mentioned in H1. below.

- B6. A Show Cause Notice No. V(5204)15/seizure/11/33/1200 dated 14th July, 1999 has been issued to our Company alleging, inter alia, that 2,840 Kgs. of cotton yarn were removed from our Company's factory premises without issuing statutory invoices and without payment of Central Excise duty. Pursuant to the orders of the Commissioner and Commissioner (Appeals), our Company was directed to pay Central Excise Duty amounting to Rs. 73,043/- (Rupees Seventy Three Thousand and Forty Three) along with interest, and penalty of an equivalent amount (that is Rs. 73,043/-) was imposed on our Company under Section 11AC of the Central Excise Act.

Our Company was also held liable to pay further penalties of Rs. 12,000/- (Rupees Twelve Thousand, being Rs. 10,000/- as redemption fine and Rs. 2,000/- as penalty under Rules 9(2), 210 and 226 of the Central Excise Rules). Personal penalty of Rs. 5,000/- (Rupees Five Thousand) was also imposed on Mr. Dinesh Nolkha, Managing Director of our Company. The penalties on our Company and Mr. Dinesh Nolkha, being Rs. 10,000/-, Rs. 2,000/- and Rs. 5,000/- amounting to Rs. 17,000/- have already been deposited with the concerned authorities.

However, CESTAT, New Delhi has vide its Order No. 1028/04 – NBA dated 3rd September, 2004 held that the benefit of notification no. 8/97 is available to our Company, and that the price of goods should be treated as the cum duty price, and that assessable value is to be determined after allowing statutory deductions. In this context, the case has been remanded back to the jurisdictional Adjudicating Authority for recomputing the duty payable. The CESTAT order upholds the redemption fine of Rs. 10,000/- (Rupees Ten Thousand)

- B7. A Show Cause Notice No. C.no.ST/7/4TO/BHL/2002/4822 dated 12th July, 2002 has been issued to our Company alleging, inter alia, that our Company had evaded service tax to the extent of Rs. 1,77,434/- (Rupees One Lac Seventy Seven Thousand Four Hundred Thirty Four) for freight/transportation charges paid by our Company during the period 16th July, 1997 to 16th October, 1998.

Our Company deposited Rs. 99,615/- (Rupees Ninety Nine Thousand Six Hundred Fifteen) under protest with the concerned authorities on this account. Subsequent to this deposit, the Deputy Commissioner, Central Excise Division, Bhilwara vide his order dated 27th April, 2005 dropped the show cause proceedings against our Company, in view, inter alia, of the amount already deposited by our Company. Our Company has appealed against the said order of the Deputy Commissioner dated 27th April, 2005, filing for refund of the said Rs. 99,615/- deposited by our Company before the Commissioner (Appeals). The said appeal is pending.

Cases against our Company

C. Income Tax cases

- C1. A Notice under Section 143(2) of the Income-tax Act, 1961 dated 4th January, 2005 has been issued to our Company:

- stating that there were certain points in connection with our Company's return of income for the assessment year 2003-2004, which return was submitted by our Company on 28th November, 2003, in relation to which the Assessing Officer would require certain further information; and
- summoning our Company's representative in this regard on 9th January, 2005.

However, no hearings were held on the said date, and no further notice / communication / intimation of hearing or proceedings has been received from the Income-tax authorities in this regard.

D. Cases under the Workmen's Compensation Act, 1923

- D1. A case bearing no. 15/2004 is pending against our Company before the Workmen's Compensation Commissioner, Bhilwara under the Workmen's Compensation Act, 1923 regarding compensation for the death of Mr. Ratan Singh Ranawat (who was employed as a security officer in our Company) on 5th January, 2004 due to a heart-attack in the course of his employment. The amount being claimed is Rs. 2,87,860/- (Rupees Two Lacs Eighty Seven Thousand Eight Hundred Sixty) along with interest @ 18% per annum from the date of accident till the date of payment, and costs. Our Company has made an application to the Workmen's Compensation Commissioner, Bhilwara dated 21st June, 2004 stating that our Company had availed of a Workmen's Compensation policy from the Oriental Insurance Company Ltd. for our workers employed in the factory, and requesting that the compensation amount to the applicants be arranged by making the Oriental Insurance Company Ltd. as the first party to the application for compensation. The case is currently pending before the Workmen's Compensation Commissioner, Bhilwara.

E. Sales Tax Cases

- E1. Of a claim of Rs. 78,428/- (Rupees Seventy Eight Thousand Four Hundred Twenty Eight) claimed by our Company in 1993-94 as set-off against sales tax paid on cotton purchases under the Rajasthan Sales Tax Act, 1954 claim for Rs. 15,537 (Rupees Fifteen Thousand Five Hundred Thirty Seven) was rejected on the grounds that our Company was availing of the Sales Tax Incentive Scheme from 24th February 1994, and our Company was further directed to pay interest of Rs. 8,390 (Rupees Eight Thousand Three Hundred Ninety). The Commissioner (Appeals) did not allow our Company's appeal. On further appeal before the Rajasthan Tax Board, Ajmer, our Company was successful and was allowed set-off of Rs. 15,537/- (Rupees Fifteen Thousand Five Hundred Thirty Seven) vide Order dated 19th June, 2001, and the claim for interest was also dismissed in the aforesaid order. An appeal has been filed by Sales Tax Authorities against this order of the Rajasthan Tax Board in the Rajasthan High Court, Jodhpur, being S.B. Civil Revision Petition No. 768/2002 bearing the title CTO, Bhilwara vs. M/s. Nitin Spinners Limited.
- E2. Our Company has been served a notice dated 8th July, 2005 under Sections 37 and 58 of the Rajasthan Sales Tax Act and Section 9 of the Central Sales Tax Act. Vide the said Show Cause Notice, which relates to sales tax assessments for the years 2001-2002 and 2002-2003, our Company has inter alia been asked to show cause as to why sales tax benefits which have been allowed to our Company (which amount to Rs. 35.80 Lacs till 31st July, 2005) under the Industrial Incentive Scheme, 1989 and which were allegedly not allowable under Clause 1(F) of the said Industrial Incentive Scheme, 1989 should not be disallowed, and the recovery thereof should not be made with interest. Further, our Company has also been asked to show cause as to why the benefits in the coming years (under the said Industrial Incentive Scheme, 1989) should not be disallowed. The total quantum of benefits which our Company is entitled to avail over a period of thirteen years is Rs. 3483.43 Lacs, of which, as stated above, Rs. 35.80 Lacs have been availed of by our Company till 31st July, 2005. Our Company has submitted reply to the Assistant Commissioner, Sales Tax Department, Special Circle Bhilwara on 22nd July, 2005 and has also attended a personal hearing on that date before the Assistant Commissioner, Sales Tax Department, Special Circle, Bhilwara. Our Company is now awaiting an order in this regard.

F. Customs Cases

- F1. A Show Cause Notice F. No. S/26-25/2004-EOU/4129 dated 31st August, 2004 has been issued to our Company from the Office of the Commissioner of Customs, Customs House, Kandla. The said notice alleges import of 200 MT of HSD (High Speed Diesel) vide yellow Bills of Entry No. 7836/28.5.2004 and 10923/20.07.2004 (1 MT equals 1200 Litres of HSD) which were assessed and cleared without charging additional customs duty at the rate of Rs. 1.50 per litre. The amount claimed in the said notice is Rs. 3,60,000/- (Rupees Three Lacs Sixty Thousand), being short-levy of additional customs duty along with interest, under Section 28 of the Customs Act, 1962. Our Company has filed reply with the Assistant Commissioner of Customs on 21st April, 2005 and attended a personal hearing on that date before the Assistant Commissioner of Customs. Our Company is now awaiting an order in this regard.
- F2. A Show Cause Notice F. No. S/26-25/2004-EOU/5515 dated 23rd September, 2004 has been issued to our Company from the Office of the Commissioner of Customs, Customs House, Kandla. The said notice alleges import of 100 MT of HSD (High Speed Diesel) vide yellow Bill of Entry No. 4065/20.07.2004 (1 MT equals 1200



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Litres of HSD) which were assessed and cleared without charging additional customs duty at the rate of Rs. 1.50 per litre. The amount claimed in the said notice is Rs. 1,80,000 (Rupees One Lac Eighty Thousand), being short-levy of additional customs duty and 2% educational cess upon it amounting to Rs. 3,600/- (Rupees Three Thousand Six Hundred) totaling to Rs. 1,83,600/- (Rupees One Lac Eighty Three Thousand Six Hundred) along with interest, under Section 28 of the Customs Act, 1962. Our Company has filed reply with the Assistant Commissioner of Customs on 21st April, 2005 and attended a personal hearing on that date before the Assistant Commissioner of Customs. Our Company is now awaiting an order in this regard.

G. Cases under the Essential Commodities Act, 1955

G1. In terms of Hank Yarn Packing Notification No. 8/TDRO/8/2/95 dated 20th March, 1995 issued under the Essential Commodities Act, 1955 our Company was required to submit quarterly hank yarn packing returns for the Quarter ending June, 1995 within forty days of the end of the Quarter to the Regional Office of the Textile Commissioner at Noida as well as to the Head Quarters of the Textile Commissioner's Office at Mumbai. The return for the Quarter Ended June 30, 1995, whose due date for filing was 9th August, 1995 was filed on 31st August, 1995 that is, twenty-two days after the due date. An FIR (First Information Report) No. 8(90)/95/HY/RON/3107 dated 4th September, 1995 was filed against our Company and against Mr. Narendra Nolkha, Commercial Manager and Mr. Dinesh Nolkha (who was subsequently appointed as our Company's Managing Director). This case is pending before the fast-track Court at Bhilwara.

However, vide order issued by the Deputy Director from the Office of the Textile Commissioner, Mumbai No. 5(35)/Raj/95-2000/CSS/8 dated 01st November, 2000 addressed to the Station House Officer of the concerned Police Station at Bhilwara, it has been stated that the Textile Commissioner had condoned the aforesaid delay in filing of the quarterly hank yarn return for the Quarter ended 30th June, 1995 and requesting the Station House Officer not to pursue the aforesaid FIR. Subsequently, vide Letter issued by the Additional Textile Commissioner from the Office of the Textile Commissioner, Mumbai No. 5(35)/Raj/95/CSS/3 dated 01st December, 2003 addressed to the Superintendent of Police, Bhilwara, Rajasthan it has been clarified expressly therein that in view of the aforesaid condonation, there was no case pending against our Company, and that the fast-track Court at Bhilwara be requested not to pursue the case further. However, this case is still pending before the fast-track Court at Bhilwara.

H. Criminal Cases

There are no criminal cases pending against our Company except for the case under the Essential Commodities Act, the details of which are set out in detail in paragraph no. G1 above and the following case:

H1. The Superintendent, Central Excise Department, Jodhpur has filed an appeal at the Court of the District and Sessions Judge, Jodhpur against the Order of the Economic Offences Court, Jodhpur dated 20th January, 2004 acquitting our Company, seven of our (then) employees and ex-employees (including Mr. Dinesh Nolkha, our Managing Director) and two others in a criminal case filed for evasion of duty amounting to Rs. 41,81,382/- (Rupees Forty One Lacs Eighty One Thousand three Hundred Eighty Two) which is a criminal offence under various sub-sections of Section 9 of the Central Excise Act. The Show Cause Notice as mentioned in B5. above and the revised adjudication proceedings thereunder are pending in respect of the same alleged offence as the one for which this criminal case is pending.

Specifically, the following persons are defendants in this appeal filed by the Superintendent, Central Excise Department, Jodhpur:

- 1) M/s. Nitin Spinners Limited, Bhilwara;
- 2) Mr. Dinesh Nolkha, Managing Director, Nitin Spinners Limited, Bhilwara;
- 3) Mr. Mahaveer Gandhi, Finance Manager, Nitin Spinners Limited, Bhilwara;
- 4) Mr. Umesh Toshniwal, Marketing Executive, Nitin Spinners Limited, Bhilwara;
- 5) Mr. C.M. Jhanwar, Commercial Manager, Nitin Spinners Limited, Bhilwara;
- 6) Mr. Narendra Nolkha, Ex- Commercial Manager, Nitin Spinners Limited, Bhilwara;

- 7) Mr. K.G. Kutty, Spinning Manager, Nitin Spinners Limited, Bhilwara;
- 8) Mr. Shivraj Singh, Excise Clerk, Nitin Spinners Limited, Bhilwara;
- 9) Mr. Bhagwati Prasad Porwal, Proprietor, M/s. Krishna Handloom Factory, Bhilwara;
- 10) Mr. Surendrakumar Mundra, Proprietor, M/s. Mundra Woolen Mills, Beawar.

The case is currently pending at the Court of the District and Sessions Judge, Jodhpur. The personnel mentioned in Serial Nos. 3, 5, 7 and 8 above, who were then employees of our Company, are no longer in the employment of our Company. The order of the Settlement Commission, as mentioned in B5. above, does not grant immunity to any person from criminal prosecution in this case.

I. Cases against the Directors

There are 4 cases pending against our Directors, the details of which are set out in detail in paragraph nos. B4, B6, G1 and H1 above. All these four cases are pending against Mr. Dinesh Nolkha, Managing Director of our Company. Apart from these cases, there are no other cases pending against the Directors of our Company.

However, as regards the case mentioned in B6. above, the personal penalty of Rs. 5,000/- (Rupees Five Thousand) that has been imposed upon Mr. Dinesh Nolkha has been upheld and paid, but the amount of duty is subject to recomputation by the Adjudicating Authority. Thus, although his name continues to be associated with the case, there is, as of date, no pending demand against him in that case.

J. Past cases in which penalties were imposed on our Company and our Directors

J1. A Show Cause Notice No. V(52) 15/seiz/off/53/98/379 dated 15th January, 1999 was issued to our Company, alleging, inter alia that that our Company had removed 3000 Kgs. of cotton valued at Rs. 1,54,000/- (Rupees One Lac Fifty Four Thousand) without accounting for the same in their statutory Central Excise records and also manufactured and stored 9309 Kgs. of cotton yarn valued at Rs. 6,45,706/- (Rupees Six Lacs Forty Five Thousand Seven Hundred Six) also without accounting for the same in their statutory Central Excise records with an intent to remove the same without payment of Central Excise duty. Pursuant to orders passed by Central Excise authorities in this regard at the original and appellate stages, the penalties imposed on our Company and our Directors and employees were as follows:

- a. Penalty of Rs. 8,884 under Section 11AC of the Central Excise Act (equivalent to the Central Excise Duty of Rs. 8,884/-);
- b. Redemption Fine of Rs. 50,000/-;
- c. Penalty (under Rule 9(2) read with Rule 173Q of the Central Excise Rules) of Rs. 2,000;
- d. Penalty of Rs. 5,000 on Mr. Dinesh Nolkha, Managing Director of our Company, in addition to penalties amounting to Rs. 5,000/- each on two other employees of our Company, Mr. Umesh Toshniwal and Mr. C.M. Jhanwar under Rule 209A of the Central Excise Rules.

Thus, the total penalty imposed on our Company amounted to Rs. 60,884/- (Rupees Sixty Thousand Eight Hundred Eighty Four), and on our Directors and employees amounted to Rs. 15,000/- (Rupees Fifteen Thousand).

J2. A Show Cause Notice No. V(55)/Seiz.Off/15/99/3625 dated 15th September, 1999 was issued to our Company, alleging, inter alia that that our Company had manufactured and stored 2668 Kgs. of cotton yarn valued at Rs. 1,93,800 (Rupees One Lacs Ninety Three Thousand Eight Hundred) without accounting for the same in their statutory Central Excise records with an intent to remove the same without payment of Central Excise duty. Pursuant to orders passed by Central Excise authorities in this regard at the original and appellate stages, the penalties imposed on our Company were as follows:

- a. Redemption Fine of Rs. 20,000/-;
- b. Penalty (under Rules 209 and 226 of the Central Excise Rules) of Rs. 15,000;

Thus, the total penalty imposed on our Company amounted to Rs. 35,000/- (Rupees Thirty Five Thousand).



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- J3. There is also a pending excise case against our Company, arising out of Show Cause Notice No. V(5204)15/seizure/11/33/1200 dated 14th July, 1999 in which penalties amounting to Rs. 12,000/- (Rupees Twelve Thousand) have been imposed on our Company and personal penalty of Rs. 5,000/- (Rupees Five Thousand) has been imposed upon Mr. Dinesh Nolkha, Managing Director which penalties have been upheld, but the amount of duty is subject to recomputation by the Adjudicating Authority. For details, kindly refer to case bearing Serial No. B6 in "Outstanding Litigations and Material Developments" on Page 164 of this Red Herring Prospectus.
- J4. With reference to the case mentioned in B5. above - The Settlement Commission has, vide its Final Order no. F-342/CE/05-SC (PB) dated October 5, 2005 settled our Company's final duty liability at Rs. 39,54,022/- (Rupees Thirty Nine Lacs Fifty Four Lacs Twenty Two), which amount has already been deposited by our Company with the concerned authorities. The Settlement Commission has also imposed interest @ 10% per annum on the duty amount finally settled from the date the duty was due till the date(s) payment of duty, and the computation of this interest is pending with the Central Excise Department.

K. Delay in filing Form Nos. 13 and 17 with the Registrar of Companies, Jaipur, Rajasthan

- K1. Form Nos. 13 and 17 required to be filed under the provisions of the Companies Act pursuant to satisfaction of charge of Rs. 21.00 Lacs in favour of ICICI Bank which ought to have been filed before 8th March, 1997 were filed on 17th March, 1997. In Company Petition No. 260/141/2000 – CLB filed under Section 141 of the Companies Act, 1956 before the Company Law Board, Northern Region, New Delhi, the Bench of the Company Law Board vide its order dated 3rd January, 2001 has condoned the aforesaid delay in filing of Form Nos. 13 and 17, and directed our Company to pay a cost of Rs. 500/- (Rupees Five Hundred) to the Registrar of Companies, Jaipur, Rajasthan.

Outstanding litigations, defaults etc. against Promoters and group companies:

All our individual Promoters are also Directors of our Company, and litigations, etc. against them have already been stated above. As regards our corporate Promoters and group companies, details of outstanding litigations defaults, etc. are stated hereunder:

L. Redial Trading & Investment (P.) Ltd. ("Redial")

Contingent liability as on 31st March, 2005

NIL

Cases filed by Redial

NIL

Cases filed against Redial

NIL

M. Prasham Corporate Services (India) Private Ltd. ("Prasham")

Contingent liability as on 31st March, 2005

NIL

Cases filed by Prasham

NIL

Cases filed against Prasham

NIL

N. Dolphin Carrier Pvt. Ltd. ("DCPL")

Contingent liability as on 31st March, 2005

NIL

Cases filed by DCPL

NIL

Cases filed against DCPL

NIL

O. Greenfield Securities Private Limited ("GSPL")

Contingent liability as on 31st March, 2005

NIL

Cases filed by GSPL

NIL

Cases filed against GSPL

NIL

However, a prosecution was launched against GSPL for default in filing of Annual Return and Balance Sheet/Profit & Loss Account for the years 1997, 1998 and 1999 under various Sections of the Companies Act. In respect of prosecution launched against GSPL for these defaults/non-compliances, GSPL has paid penalty of Rs. 9,300/- under the Company Law Settlement Scheme, 2000. However, these defaults occurred, prosecution was launched and penalty was paid by GSPL before it was acquired by the Promoters in June, 2005 and became our group company.

Amounts Owed to Small Scale Undertakings and Other Creditors

The name of Small Scale Undertakings and Other Creditors to whom our Company owes a sum exceeding Rs. 1 Lacs which is outstanding more than 30 days, as on September 30, 2005 are as follows:

Sl. No.	Name of Small Scale Undertakings / Other Creditor	Amount (Rs. In Lacs)
1	Usha Cotton Co.	3.23
2	Shivam Products Pvt. Ltd.	1.80
3	Sieger Spintech Equipments Pvt. Ltd.	2.09
4	Patel Packing Industries	1.55
5	Shree Gayatri Enterprises	3.04
6	Dynamic Elecpower Pvt. Ltd.	3.36

Material Developments since the Last Balance Sheet Date

Except the progress in project implementation as per the schedule, there have been no material developments after the date of last balance sheet i.e. September 30, 2005.

GOVERNMENT AND OTHER APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary consents, licenses, permissions and approvals from the Government/RBI and various Government agencies required for our present business. Further, except for pending approvals as detailed herein, our Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by our Company to undertake the present and proposed activities.

INVESTMENT APPROVALS

As per Notification No. FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank our Company is not required to make an application for Issue of Equity Shares to NRIs / FIIs with repatriation benefits. However, the allotment/transfer of the Equity shares to NRIs / FIIs shall be subject to the prevailing RBI Guidelines. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

GOVERNMENT APPROVALS / LICENSES / PERMISSIONS

We have received the following Government and/or statutory approvals/ licenses/ permissions:

Incorporation

1. Certificate of Incorporation bearing no. 17-06987 dated October 15th 1992 from the Registrar of Companies, Rajasthan at Jaipur.
2. Fresh Certificate of Incorporation consequent to change of name from "Nitin Spinners Private Limited" to "Nitin Spinners Limited" dated November 15th 1994 issued by the Registrar of Companies, Rajasthan at Jaipur pursuant to S.23 (1) of the Companies Act, 1956.

Industrial/Labour/ Tax

3. Our Company's PAN (Permanent Account Number) issued by Income Tax Department, Government of India is AAACN7529A.
4. License bearing no. P/HQ/RJ/15/677(P5514) dated March 13, 2001, issued by Chief Controller of Explosives, Department of Explosives, Government of India, to Import and Store upto 640 K.L. of Petroleum in Installation at 16-17, K.M. Stone, Chittor Road, Hamirgarh, Bhilwara, Rajasthan. The license has been renewed and is valid up to December 31, 2007.
5. Our Company's IEC (Importer-Exporter Code) No. is 1392004691 issued on 28th October 1992, as contained in the Certificate of Importer-Exporter Code from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Jaipur, dated August 27th 2002 issued from file No. 13/04/130/00469/AM93/.
6. Our Company's Tax Deduction Account Number (TAN) as per the Income Tax Act, 1961 is JDHN01149B.
7. Acknowledgement receipt reference no. 4223/SIA/IMO/92 dated October 29th, 1992 issued by the Entrepreneurial Assistance Unit, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "COTTON YARN (OTHER THAN SEWING THREAD), CONTAINING 85% OR MORE BY WEIGHT OF COTTON, NOT PUT UP FOR RETAIL SALE", "COTTON WASTE" and for "COTTON SEWING THREAD, WHETHER OR NOT PUT UP FOR RETAIL SALE. – NOT PUT UP FOR RETAIL SALE" for our Company's manufacturing facilities located at Hamirgarh, Bhilwara, Rajasthan.
8. Acknowledgement receipt reference no. 2146/SIA/IMO/94 dated July 4th, 1994 issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "COTTON YARN (OTHER THAN SEWING THREAD), CONTAINING 85% OR MORE BY WEIGHT OF COTTON, NOT PUT UP FOR RETAIL SALE" for our Company's manufacturing facilities located at Hamirgarh, Bhilwara, Rajasthan.

9. Acknowledgement receipt reference no. 3478/SIA/IMO/96 dated September 9th, 1996, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "COTTON YARN (OTHER THAN SEWING THREAD), CONTAINING 85% OR MORE BY WEIGHT OF COTTON, NOT PUT UP FOR RETAIL SALE" (proposed capacity 2425 Tonnes in addition to existing capacity of 2400 Tonnes), "COTTON WASTE" (proposed capacity not indicated) and for "COTTON SEWING THREAD, WHETHER OR NOT PUT UP FOR RETAIL SALE. – NOT PUT UP FOR RETAIL SALE" (proposed capacity 250 Tonnes in addition to existing capacity of 250 Tonnes) at 16 – 17, K.M. Stone, Hamirgarh, Bhilwara, Rajasthan.
10. Acknowledgement receipt reference no. 935/SIA/IMO/98 dated May 12th 1998, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "COTTON YARN" (proposed capacity 575 M.T. in addition to existing capacity of 4825 M.T.), "COTTON WASTE" (proposed capacity not indicated) and for "COTTON SEWING THREAD" (proposed capacity 50 M.T. in addition to existing capacity of 500 M.T.) at 16 – 17, K.M. Stone, Hamirgarh, Bhilwara, Rajasthan.
11. Acknowledgement receipt reference no. 319/SIA/IMO/2000 dated February 10th 2000, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "COTTON YARN" (proposed capacity 3600 M.T. in addition to existing capacity of 5400 M.T.) and "COTTON WASTE" (proposed capacity not indicated) falling under NIC broad description "COTTON SPINNING IN MILLS" at 16 – 17, K.M. Stone, Chittor Road, Bhilwara, Rajasthan.
12. Amendment dated October 16th, 2000 to IEM Acknowledgement No. 319/SIA/IMO/2000 dated February 10th 2000 for addition of "SPINNING OF MAN MADE FIBRE INCLUDING BLENDED YARN" falling under NIC broad description "SPINNING OF STAPLE FIBRES IN MILLS" to manufacture of "COTTON YARN" and "COTTON WASTE" falling under NIC broad description "COTTON SPINNING IN MILLS".
13. Acknowledgement receipt bearing number 590/IIM/PROD/2001 referring to reference no.319/IMO/SIA/2000 dated December 7th 2001, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum intimating commencement of commercial production of installed capacity on October 01, 2001 of "COTTON YARN" and "SPINNING OF MAN MADE FIBRE INCLUDING BLENDED YARN" at 16 – 17, K.M. Stone, Chittor Road, Bhilwara, Rajasthan.
14. Registration and License to work a factory, bearing no. 20054 dated February 28, 2004 for licensed premises on Plan No. 2598 situated at 16-17, K.M. Stone, Bhilwara-Chittor Road, Hamirgarh, Bhilwara issued by Chief Inspector of Factories, for factory engaged in the manufacture of Cotton Yarn. This license has been renewed and is valid upto March 31st 2006.
15. Certificate of registration bearing no. CST/0610/00071(Central) valid from February 18th 1993 until cancelled, issued by the Assistant Commissioner, Sales Tax Department, Bhilwara under Section 7(1)/7(2) of the Central Sales Tax Act, 1956 to Nitin Spinners Limited, in respect of place of business situated at Bhilwara.
16. Certificate of Registration bearing no. RST/0610/00071/ valid from February 8th 1993 until cancelled, issued by the Assistant Commissioner, Sales Tax Department, Bhilwara under the Rajasthan Sales Tax Regulations, 1954 to Nitin Spinners Limited, Bhilwara in respect of place of business situated at 17 K.M., Hamirgarh, Bhilwara.
17. Central Excise Registration Certificate bearing no. AAACN7529AXM001 dated June 27th, 2003 issued by the Deputy Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for operating an Export Oriented Undertaking at our Company's premises situated at 16 – 17, K.M. Stone, Chittor Road, Hamirgarh, Bhilwara, Rajasthan, 311025.
18. Bureau of Indian Standards License issued to our Company for the Quality Systems Certification bearing no. QSC/L – 8000647.2 dated 18th August 2004 for "Manufacture and Supply of Ring Spun Yarns, Open End Yarns and Grey Knitted Fabrics Excluding Design and Development Activities" in accordance with IS/ISO 9001.2000 valid up to May 3rd 2007.



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19. Registration of Boiler under Indian Boilers Act, 1923 bearing no.2087/CIB/2001 dated 30th September, 2001 issued by the Chief Inspector of Factories and Boilers, Rajasthan, Jaipur for the purpose of registration of Single Pass Flue Tube Waste Heat Boiler with Maker's No, EGB-FT-290/1 allotting it Registration No. RJ/1096.
20. Certificate bearing No. 29/219 dated 25th September, 2004 for use of the Boiler bearing Registration No. RJ/1096 from 8th September, 2004 to 28th August, 2005.
21. Certificate bearing No. 16628 dated 27th July, 2005 issued under the Rajasthan Shops and Commercial Establishments Act, 1958 issued to Redial Trading & Investment Private Limited for our office situated at 201-202, Om Textile Tower, Pur Road, Bhilwara (which is currently being used by our Company).
22. Registration No. RJ/8421 granted by the Office of the Regional Provident Fund Commissioner vide letter No. RJ./8421/No. 9346 dated 14th February, 1997 under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
23. Registration No.505/94 dated February 18th, 1994 granted under Contract Labour (Regulation & Abolition) Act 1970 to Nitin Spinners Private Limited (now Nitin Spinners Limited), Hamirgarh, Bhilwara for employment of a maximum of 500 (five hundred) workers by any contractor on any day in miscellaneous work and other petty works.
24. Service Tax Registration Certificate bearing no. AAACN7529AST001 dated February 01st, 2005 issued by the Superintendent, Central Excise Range – IV, Bhilwara for 16-17 Km. Stone, Hamirgarh, Chittor Road, Bhilwara (Rajasthan) for payment of service tax on the services of Goods Transport Operators.
25. Permission bearing no. PP/SE1/2002/8281 dated November 5th, 2004 under Rule 47A of the Indian Electricity Rules issued by the Senior Electrical Inspector, Government of Rajasthan, Jaipur to generate and use electricity from one 1281 KVA DG Set installed at our Company's works bearing Engine S. No. 21814 and Make – MAN B &W.
26. Permission bearing no. PP.SEZ/3405 dated May 23rd, 2002 under Rule 47A of the Indian Electricity Rules issued by the Senior Electrical Inspector, Government of Rajasthan, Jaipur to generate and use electricity from 1250 KVA 415 Volts DG Set installed at our Company's works.
27. Permission bearing no. 193 dated October 20th, 1997 under Rule 47A of the Indian Electricity Rules issued by the Electrical Inspector, Electrical Inspectorate, Kota to generate and commence use of electricity from 2*500 KVA DG Set installed at our Company's works.
28. Permission bearing No. 422 dated 26th July, 2005 under Rule 47A of the Indian Electricity Rules issued by the Electrical Inspector, Electrical Inspectorate, Jaipur to generate and commence use of electricity from 2*320 KVA DG Sets and 1*500 KVA DG Set installed at our Company's works.

Land Conversion Orders:

29. Land Conversion Order for conversion of land from agricultural use to industrial use bearing number F/2-3M/RA/95/2003 dated September 16, 2003 under Rule 8/2/8.3 of the Land Conversion Rules, 1992 in relation to the land situated at Hamirgarh District bearing following details:

Sr. No.	Aaraji No.	Area
1.	106	1 Bigha 9 Biswa
2.	108	1 Bigha 3 Biswa
3.	125	1 Bigha 4 Biswa
4.	126	1 Bigha 2 Biswa
	Total	4 Bigha 18 Biswa

NOTES:

- (i) 1 Bigha is equivalent to 2530.20 Square Meters or 20 Biswa
- (ii) 1 Biswa is equivalent to 126.51 Square Meters

30. Land Conversion Order for conversion of land from agricultural use to industrial use bearing number F 12-3(F)(25) RA/05 dated October 14, 2005 under Rule 8(2)/8(3) of the Land Conversion Rules, 1992 in relation to the land situated at Hamirgarh District bearing following details:

Sr. No.	Aaraji No.	Area
1.	112	14 Biswa
2.	113	1 Bigha 8 Biswa
	Total	2 Bigha 2 Biswa

NOTES:

- (i) 1 Bigha is equivalent to 2530.20 Square Meters or 20 Biswa
(ii) 1 Biswa is equivalent to 126.51 Square Meters

Exemption and Subsidy Certificates:

31. Eligibility Certificate of Exemption from Sales Tax issued by Assistant Commissioner, Sales Tax Department, Special Circle, Bhilwara for cotton yarn under the Exemption Scheme, 1998 both under the Rajasthan Sales Tax Act and the Central Sales Tax Act for our Company's premises situated at 16-17 K.M. Stone, Chittor Road, Hamirgarh, Bhilwara. This Certificate is valid for a period of 13 years, with the quantum of exemptions decreasing in a graded manner from the 1st year till the 13th year, and the quantum of exemption from Sales Tax being Rs. 3483.43 Lacs. Vide letter no. F.5/Acctt/7/2(395)/STE/98 issued by the Commissioner of Industries, Jaipur addressed to the Commercial Taxes Officer, Special Circle, Bhilwara dated May 2nd, 2003 the State Level Screening Committee ("SLSC") has decided to sanction the benefit of sale of man-made fibre including blended yarn simultaneously with cotton yarn. However, our Company is awaiting the issue of the revised Eligibility Certificate.
32. Entitlement Certificate in Form 6 bearing no. F23(77)11(B)(RIPS)Ind/04 dated April 15, 2005 under the Rajasthan Investment Promotion Scheme, 2003 issued by the Commissioner, Industries and Member Secretary of the SLSC for our Company's premises situated at 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara granting 25% Wage and Employment Subsidy (that is, wage/employment subsidy shall amount to 25% of the incremental wages of workers arising on account of the expansion project of our Company completed during the year 2004-05, which amount is given as tax exemption from State sales tax/VAT to our Company).
33. Entitlement Certificate in Form 7 bearing reference "Book No. 3, S. No. 16" dated May 10th, 2005 under the Rajasthan Investment Promotion Scheme, 2003 issued by the Commissioner, Industries and Member Secretary of the SLSC for our Company's premises situated at 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara granting 50% exemption from electricity duty and 50% exemption of Mandi Cess or Fee under the relevant notifications. The aforesaid benefit starts from March 23rd, 2005.
34. Provisional Entitlement Certificate in Form 5 bearing reference "Book No. 1, S. No. 27" dated March 18th, 2005, as amended by Corrigendum No. F.23(199)IIB(RIPS)Ind/2005 dated May 11th, 2005 under the Rajasthan Investment Promotion Scheme, 2003 issued by the Commissioner, Industries and Member Secretary of the SLSC for our Company's premises situated at 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara granting 50% exemption from Stamp Duty and 50% exemption from Government Portion of Conversion Charges under Notification No. F.4(18)(FD)/Tex/Div/2003-04 dated July 28th, 2003 for the following lands:

Sr. No.	Khasra No.	Area in Bigha -Biswa
1	345, 346, 347, 348	2 Bigha 10 Biswa
2	103, 104, 113, 111, 112, 4044/118	7 Bigha 10 Biswa
3	343,344	1 Bigha 8 Biswa
4	100, 101, 102,	3 Bigha 2 Biswa
5	340, 339, 341, 342, 350, 552/338	10 Bigha 3 Biswa
6	353	3 Bigha 17 Biswa
7	352	1 Bigha 15 Biswa



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8	105	1 Bigha 7 Biswa
9	349	1 Bigha 11 Biswa
10	351,339 (1/2)	5 Bigha 13 Biswa
11	358,368,369	2 Bigha 17 Biswa
12	367,370	8 Bigha 5 Biswa
	Total	49 Bigha 18 Biswa

NOTES:

- (i) 1 Bigha is equivalent to 2530.20 Square Meters or 20 Biswa
- (ii) 1 Biswa is equivalent to 126.51 Square Meters

Environment:

35. Consent to Operate under Sections 25/26 of Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 of Air (Pollution and Control of Pollution) Act, 1981 bearing no. RPCB/ROBHL/N-5/4025/ issued by the Regional Officer, Rajasthan State Pollution Control Board, Bhilwara dated July 27th 2004 valid from August 1st 2004 to July 30th 2005. This consent is valid for the operation of 27,104 Spindles Machines, 13 Knitting Machines, 2 D.G. Sets of 320 KVA, 2 DG Sets of 500 KVA, one DG Set of 1250 KVA, one captive power plant of 2.5 MW and seven open-ended Machinery (1464 Rolar). This consent to operate has been renewed vide Renewal Certificate No. RPCB/ROBHL/N-5/11121 issued by the Regional Officer, Rajasthan State Pollution Control Board, Bhilwara dated 22nd June, 2005 for a period of one year, from 1st August, 2005 till 30th July, 2006 for the operation of 27,104 Spindles Machines, 13 Knitting Machines, 2 D.G. Sets of 320 KVA, 2 DG Sets of 500 KVA, one DG Set of 1250 KVA and two captive power plants of 2.5 MW and 1.02 MW and seven open-ended Machinery (that is 1464 Rolar).

EOU and other Export-related Licenses/Certificates/Approvals:

36. Our Company holds Letter of Permission No. PER 168/1998/EOB/120/98 dated 19th June 1998 issued by the by Assistant Development Commissioner, Noida Special Economic Zone, Ministry of Commerce. This Letter of Permission has been renewed till 31st March, 2009 by the Assistant Development Commissioner, Noida Special Economic Zone, Ministry of Commerce & Industry, Government of India vide letter no. 04/310/98 – 100% EOU/7435 dated 27th November, 2003.
37. Permission for Broad-banding for inclusion of additional items for export production viz, “Cotton Blended Yarn” under LOP No. PER 168/98/EOB/120/98 granted by the Assistant Development Commissioner, Noida Export Processing Zone, Ministry of Commerce, Government of India vide letter no. 4-310/98-100%EOU-I dated 19th June, 1998.
38. Permission for enhancement of (manufacturing) capacity, being installation of additional capacity of 1000 MT of 100% Cotton Yarn (count range of 40’s & below) and 1000 MT of Knitted and Crocheted cotton textile products under LOP No. PER 168/98/EOB/120/98 granted by the Assistant Development Commissioner, Noida Special Economic Zone, Ministry of Commerce & Industry, Government of India vide letter no. 4-310/98-100%EOU/13435 dated 29th November, 2003.
39. Permission for Broad-banding for inclusion of additional items for export production viz. “Double and Multifold 100% Cotton Yarn and Blended Yarn of 40’s and below”, granted by the Assistant Development Commissioner, Noida Export Processing Zone, Ministry of Commerce, Government of India vide letter no. 4/310/98 – 100% EOU/834 dated 30th January 2002.
40. Permission for Broad-banding and inclusion of additional items of manufacture viz. “Knitted and crocheted cotton textile products with synthetic elastic yarn i.e. Lycra, Spandex, Acelan, Toplon, Lilen, etc. and man made fibre yarn”, and “Knitted and crocheted textile products of man-made fibre with or without Elastic yarn i.e. Lycra, Spandex, Acelan, Toplon, Lilen, etc.” granted by Assistant Development Commissioner, Noida Special Economic Zone, Ministry of Commerce, Government of India vide letter no. 04/310/98-100%WOU/3739 dated 18th June 2003.
41. Extension of validity period of Registration-Cum-Membership-Certificate No. 4-310/98-100%EOU/296 upto 31st March 2009 granted by Assistant Development Commissioner, Noida Special Economic Zone, Ministry of Commerce & Industry, Government of India vide letter no. F No. 4-310/98-100%EOU879 dated 17th February 2004

42. Green Card No. 190 dated January 2nd, 2004 valid up to 31st March 2009 granted by Assistant Development Commissioner, Noida Special Economic Zone, Ministry of Commerce & Industry, Government of India vide letter no. 4-310/98-100%EOU/1 dated 2nd January 2004
43. Permission to start work and other operations under Section 65 of the Customs Act 1962, in the expansion area from indigenous and imported material under bond granted by the Assistant Commissioner, Central Excise Division, Bhilwara vide letter No. C. No. VIII (Cus.) Export/7/99/4063 dated 21st August, 2000.
44. Permission for manufacture of 100% Cotton Yarn from imported and indigenous materials under bond under Section 65 of the Customs Act, 1962 issued by the Assistant Commissioner, Central Excise Division, Bhilwara vide letter No. C. No. VIII (Cus.) Export / 7/99/6230 dated 23rd March, 1999
45. Customs Notification No. 1/CUS(NT) JP-II/99, dated 8th January 1999, declaring Village Hamirgarh, District Bhilwara, State of Rajasthan, to be a Warehousing Station under Section 9 of the Customs Act 1962 for the limited purpose of setting up a 100% Export Oriented Unit by Nitin Spinners Ltd., 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara.
46. License bearing No. CUS/4/Pr B.H/99 dated 15th January 1999, for Private Bonded Warehouse under Section 58 of the Customs Act 1962 located at 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara – 311 001, issued by the Assistant Commissioner, Central Excise Division – Bhilwara renewed upto 31st December 2005.
47. Certificate of Recognition dated 29th September 2004 issued by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India granting Nitin Spinners Limited the status of a One Star Export House from 1st April, 2004 to 31st March, 2009.

Approvals for which Application has been made but not yet received:

Sr. No.	Approval / Consent	Authority	Status
1.	Application for conversion of agricultural land into industrial land for setting up Ring Spinning Plant at village Hamirgarh.	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Application made vide letter dated 13 th June, 2005.
2.	Registration of the Trade Mark monogram "N" in Class 24 for various yarns and fabrics	Registrar of Trade Marks, Mumbai	Vide letter No. U-ACPT/3636 dated 18 th July, 2003 issued from the office of the Trade Marks Registry Mumbai, our Company has been informed that the application will be advertised before acceptance in the Trade Marks Journal. However, the said application has not yet been advertised and no further intimation / communication has been received by our Company from the Trade Marks Registry in this regard.
3	Application for conversion of agricultural land (at specified locations mentioned therein) into industrial land for setting up Ring Spinning Plant, knitting and power plant at village Hamirgarh.*	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Application made vide letter dated 10 th September, 2005.
4	Application for conversion of agricultural land (at specified locations mentioned therein) into industrial land for setting up Ring Spinning Plant, knitting and power plant at village Hamirgarh.	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Application made vide letter dated 10 th September, 2005.

* Approval received by us for two of the locations applied for, identified by us in this application, namely Aaraji No. 112 admeasuring 14 Biswas and Aaraji No. 113 admeasuring 1 Bigha 2 Biswa vide land conversion order dated October 14, 2005



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In addition to the above, we have submitted an Industrial Entrepreneurs Memorandum to the Secretariat for Industrial Approvals, Department of Industrial Policy and Promotion, Ministry of Industry, Government of India in respect of increase in production capacity of cotton yarn. We are awaiting the acknowledgement receipt of the same.

Government Approvals, which are yet to be Applied For in the Project:

Sr. No.	Approval / Consent	Concerned Authority	Remarks
1.	Conversion of agricultural land into industrial land (for the lands acquired from 16 th June, 2005 to 2 nd July, 2005 admeasuring approximately 125 Biswa	The Collector, Collectorate Campus, Bhilwara (Rajasthan)	Will be applied in due course
2.	Registration and License to work a factory	Chief Inspector of Factories	To be applied on receipt of land conversion order
3.	Registration of Boiler under Indian Boilers Act, 1923	Chief Inspector of Factories and Boilers, Rajasthan, Jaipur	To be applied in due course
4.	License to Import and Store Petroleum	Chief Controller of Explosives, Department of Explosives, Government of India	To be applied in due course.
5.	Consent to Operate under Sections 25/26 of Water (Prevention and Control of Pollution) Act, 1974	Regional Officer, Rajasthan State Pollution Control Board, Bhilwara	To be applied in due course.
6.	Consent to Operate under Section 21 of Air (Pollution and Control of Pollution) Act, 1981	Regional Officer, Rajasthan State Pollution Control Board, Bhilwara	To be applied in due course.
7.	License for Private Bonded Warehouse under Section 58 of the Customs Act	Assistant Commissioner, Central Excise Division – Bhilwara	To be applied in due course.
8.	Permission to start work and other operations under Section 65 of the Customs Act 1962, in the expansion area	Assistant Commissioner, Central Excise Division, Bhilwara	To be applied in due course.
9.	Amendment to Letter of Permission for increase in production capacity	Development Commissioner, Noida Export Processing Zone, Noida	To be applied in due course.

Further, our Company would also need to intimate the Textile Commissioner, Bombay about the increase in production capacity.

Except those mentioned hereinabove, our Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for carrying on the present as well as the proposed business of our Company. It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government/RBI does not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board of Directors have pursuant to a resolution dated 16th April, 2005 authorized this Issue subject to approval by the shareholders of our Company. The shareholders of our Company have approved this Issue under section 81(1A) of the Act by a Special Resolution at our Extra Ordinary General Meeting held on 2nd June, 2005.

Prohibition by SEBI

Our Company, our Directors, our Promoters, the Directors or person(s) in control of our Promoter Companies, the group companies, companies promoted by our Promoters, the persons in control of companies promoted by our Promoters and companies or entities with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. The listing of any securities of our Company has never been refused at anytime by any of the stock exchanges in India. Our Company, our Promoters, their relatives, group companies and associate companies has not been detained as willful defaulters by RBI / government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI (DIP) Guidelines, being an unlisted company, our Company may make an initial public offering of equity shares, as we meet the following conditions:

- a) Our Company has net tangible assets of at least Rs.300 Lacs in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets;
- b) Our Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years;
- c) Our Company has a net worth of at least Rs.100 Lacs in each of the preceding three full years of 12 months each;
- d) Our Company has not changed its name within the last one year
- d) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. public issue by way of offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times our pre-issue net worth as per the audited balance sheet of the last financial year.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, UTI SECURITIES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED 22nd AUGUST 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:



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- 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 FINALIZATION 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:
- A. THE DRAFT RED HERRING PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.
- D. BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.
- E. WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS."

Disclaimer from Our Company, the BRLM and the Co-BRLM

Our Company, our Directors, the BRLM and the Co-BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.nitinspinners.com, would be doing so at his or her own risk.

Caution

The BRLM and the Co-BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding dated 20th June 2005 entered into between the BRLM and our Company and the Memorandum of Understanding dated 22nd July 2005 entered into between the Co-BRLM and our Company and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us, the BRLM, the Co-BRLM and the Underwriters to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, 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), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in

shares) and to NRIs, FIIs, Venture Capital Funds and Foreign Venture Capital Investors Registered with SEBI. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Bhilwara, Rajasthan only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to and has been filed with SEBI for its observations. SEBI vide its letter dated October 17, 2005 given its observations thereon. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the BSE

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated September 26, 2005 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this company. The Exchange does not in any manner:-

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.: NSE/LIST/19024-P dated December 12, 2005 permission to our Company to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The exchange has scrutinised this Draft Offer Document 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 Offer Document has been cleared or approved by NSE; nor does it in any manner: warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; nor does it warrant that 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 this Red Herring Prospectus has been filed with Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021.



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A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC, Rajasthan at Jaipur. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC, Rajasthan at Jaipur, which is situated at 132, Vijay Nagar Kartarpura, Near Railway Phatak, Imliwala Phatak, Jaipur, Rajasthan.

Listing

Applications will be made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Offer Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from the expiry of eight days, will be jointly and severally 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.

The Company together with the assistance of the BRLM shall ensure that all steps for the completion of the necessary requirements for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allotment for the offer.

Impersonation

As a matter of abundant caution attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68(A) of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years.”**

Consents

Consents in writing of: (a) the Directors, our Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to our Company; and (b) Book Running Lead Manager, Co-Book Running Lead Manager, Syndicate Members, Escrow Collection Bankers and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of this Red Herring Prospectus with the RoC, Rajasthan at Jaipur as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC, Rajasthan at Jaipur.

Expert Opinion

Except as stated otherwise in this Red Herring 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 advertising expenses and listing fees. The estimated Issue expenses are as follows:

Rs. in Lacs

Sr. No.	Particulars	Amount
1	Fees of BRLM, Co-BRLM, Advisor, Registrar, Legal Advisor, Auditors, etc.	60.00
2	Printing & Stationery Distribution, Postage, etc.	75.00
3	Advertisement and Marketing expenses	100.00
4	Underwriting Commission, Brokerage and selling expenses	75.00
5	Other expenses	5.00
	Total	315.00

Fees Payable to the BRLM and Co-BRLM

The total fees payable to the BRLM and Co-BRLM, including underwriting commission for the Issue will be as per the engagement letters from our Company to the BRLM and the Co-BRLM and the Memorandum of Understanding executed between our Company, the BRLM and the Co-BRLM, copies of which are available for inspection at our registered office.

Fees Payable to Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding between Registrar to the Issue and our Company dated 7th June 2005, a copy of which is available for inspection at our registered office.

Adequate funds will be provided to the Registrar to the Issue by our Company to enable them to send refund orders or Allotment advice by registered post or speed post.

Fees Payable to the Escrow Bankers

No fees are payable to the Escrow Bankers.

Underwriting Commission, Brokerage and Selling Commission

The Underwriting Commission will be paid not more than 1% of the Public Issue Size (excluding Promoters' Contribution in the Issue).

Brokerage for the Issue will be paid not more than @ 1.5% of the Issue Price of the Equity Shares by our Company on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, our decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

Our Company, at our sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by our Company.

Previous Public or Rights Issues

Our Company has not made any public or rights issue of Equity Shares/Debentures since incorporation.

Issue of Shares otherwise than for Cash

Our Company has not issued any Equity Shares for consideration other than cash since incorporation.

Commission and Brokerage on Previous Issues

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission and brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our incorporation.

Companies under the Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than our Company's corporate Promoters, namely Redial Trading & Investment Private Limited and Prasham Corporate Services (India) Private Limited and our group companies, namely Dolphin Carrier Private Limited and Greenfield Securities Private Limited, details of which are provided in the sections titled "Our Promoters and their Background" & "Our Group Concerns" beginning on page 118 and page 143 of this Red Herring Prospectus.

All these companies are private limited companies, and have not made any public/rights issues in the last three years.

Promise Vis-à-Vis Performance

Since, our Company has not made any public issue in past, Promise vis-à-vis Performance is not applicable to us.



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Listed Ventures of Promoters

Our promoters do not have any listed ventures.

Outstanding Debenture or Bond Issues

As on the date of filing of this Red Herring Prospectus with SEBI, our Company does not have any outstanding Debentures or Bonds .

Outstanding Preference Shares

On 16th April 2001, our Company has allotted 150,000 13.50% Cumulative Redeemable Preference Shares aggregating Rs. 1,50,00,000 to IDBI on private placement basis. On 1st June 2004, the dividend rate of these Preference Shares was reduced to 10.25%. These Preference Shares are redeemable in six equal half yearly instalments in 5th, 6th & 7th year from the year of allotment.

Stock Market Data for Our Equity Shares

This being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and us provides for retention of records with the Registrar to the Issue for a period of at least one year from the date of closing of this issue.

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

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 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.

The company shall keep the shareholders informed about the progress of the project through quarterly results which will be published in News papers.

We have appointed Mr. T. K. Jain, Company Secretary & Finance Manager, 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:

Mr. T.K. Jain

Company Secretary & Finance Manager,
Nitin Spinners Limited,
16-17 Km. Stone, Chittor Road,
Hamirgarh, Bhilwara – 311 025.
Tel: +91-1482- 286 111
Fax: +91-1482- 286 114
E-Mail: ipo@nitinspinners.com

Change in Auditors

There has been no change in our Auditors in the last 3 years.

Capitalisation of Reserves or Profits

There has not been any capitalisation of reserves or profits during the last five years.

Revaluation of Assets

There has not been any revaluation of Assets during the last five years.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, 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 may be 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 to be issued shall be subject to the provisions of our Memorandum and Articles of Association and rank *pari passu* with the existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

Our Company shall pay dividend in cash in accordance with the provisions of the Companies Act whenever declared and approved by shareholders.

Face Value and Issue Price

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at a price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders have, *inter alia*, the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, Listing Agreement with the Stock Exchanges and the Memorandum and Articles of our Company.

For a detailed description of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien etc., see 'Main Provisions of Articles of Association' beginning on page 208 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum Allotment of 300 Equity Shares.

Jurisdiction

The jurisdiction for the purpose of this Issue is vested in competent courts/authorities in Bhilwara (Rajasthan).

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the



Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- 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 ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to Public including devolvement of the members of the Syndicate within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act, 1956.

Withdrawal of the Issue

Our Company in consultation with the BRLM and Co-BRLM reserves the right not to proceed with the issue any time after the Bid/Issue Opening Date but before allotment without assigning any reason therefor.

Arrangements for Disposal of Odd Lots

Since our Equity Shares will be traded in dematerialized form only, the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

Subscription by Non Residents/ NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI /Multilateral and Bilateral Development Financial Institutions

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exists a general permission for the NRIs/ FIIs/ Foreign Venture Capital Funds registered with SEBI/ Multilateral and Bilateral Development Financial Institutions to invest in shares of an Indian company by way of subscription in a public issue. However, such investments would be subject to other investment restrictions under RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, It is to be distinctly understood that there is no reservation for non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant

to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Bidders. We, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under applicable laws or regulations.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except as stated otherwise in this Red Herring Prospectus, there are no restrictions on transfer / transmission on our Equity Shares.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a discretionary basis. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLM and Co-BRLM, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

We, in consultation with the BRLM and Co-BRLM would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to, the following: prior commitment, investor quality, price, earliness of bid, etc.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form.

Illustration of Book Building and Price Discovery Process

(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)

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

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

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

Bid-cum-Application Form

Bidders shall use only the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allotment 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 authorized us to make the necessary changes in this 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Permanent Employees (including Executive Directors) of our Company	Pink
Indian public including QIBs, Non-Institutional Bidders or 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, in single or joint names (not more than three);
- 2) HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- 3) Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- 4) Indian mutual funds registered with SEBI;
- 5) Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- 6) Venture capital funds registered with SEBI;
- 7) Foreign venture capital investors registered with SEBI;
- 8) State Industrial Development Corporations;
- 9) Insurance companies registered with the Insurance Regulatory and Development Authority;
- 10) Provident funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to invest in Equity Shares;
- 11) Pension funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to invest in Equity Shares;
- 12) Multilateral and bilateral development financial institutions;
- 13) Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- 14) Eligible Non-residents including NRIs and FIIs on a repatriation basis on a non- repatriation basis subject to applicable local laws; and
- 15) Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

Note : The members of the Syndicate and any associate of the members of the Syndicate (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 and will not be eligible as a QIB in this Issue. Further, the BRLM and Co-BRLM and the 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.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by index funds or



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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. Further, bidders may bid as per the limits prescribed above.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company (i.e. 10% of [●] Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of our Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of our Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM and Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations, and our Company, the BRLM and Co-BRLM shall on no grounds whatsoever be liable for or responsible for any breach of applicable regulations by any investor or category of investors.

Maximum and Minimum Bid size

For Employees: The Bid must be for minimum 300 Equity Shares and in multiples of 300 Equity Shares thereafter.

For Retail Individual Bidders: The Bid must be for minimum 300 Equity Shares and in multiples of 300 Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

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 payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 300 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by 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. 1,00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Information for the Bidders

1. We have filed the Red Herring Prospectus with the RoC/Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
3. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of this Red Herring

Prospectus along with the Bid-cum- Application Form can obtain the same from our registered office or from the BRLM and Co-BRLM, or from a member of the Syndicate.

4. The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

Method and Process of bidding

1. Our Company, the BRLM and the Co-BRLM have declared 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). 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.
2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of 3 (three) working days and not exceed 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional 3 (three) working days, subject to the total Bidding Period not exceeding 10 (ten) working days.
4. During the Bidding Period, the Bidders may approach 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.
5. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page 191 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
6. 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 bidding 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 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 paragraph "Build up of the Book and Revision of Bids" on page 194 of this Red Herring Prospectus.
7. The members of the Syndicate will enter each 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.
8. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Collection Account" on page 193 of the Red Herring Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 18 to Rs. 21 per Equity Share, Rs. 18 being the floor of the Price Band and Rs. 21 being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1/-.
2. We, in consultation with the BRLM and Co-BRLM, can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the Floor of the



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Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Red Herring Prospectus.

3. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and also indicating the change on the relevant websites of the BRLM and Co-BRLM and the terminals of the members of the Syndicate.
4. We, in consultation with the BRLM and Co-BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. 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 and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of Bidding Options upto Rs. 100,000/- may bid at Cut-off. However, bidding at Cut-off is prohibited for QIBs or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders or Bidders in the Employee Reservation Portion whose Bid Amount exceeds Rs. 100,000/- will be rejected.**
6. Retail Individual Bidders and Employees bidding under Employee Reservation Portion, who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off 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 (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders or Employees, who bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off 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. 1,00,000 of the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non-Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders shall be deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall be suitable revised.

Option to Subscribe

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.

Escrow Mechanism

1. Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company. Payment of refund to the Bidders shall also be made in terms of the Escrow Agreement and the Red Herring Prospectus.

2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder, who is required to pay Margin Amount greater than 0%, shall, with the submission of the Bid-cum-Application Form draw a cheque/ 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 paragraph "Payment Instructions" in this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account, lying credited with Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date, and not later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders (i.e. Employees, QIBs, 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 "Issue Structure" in this 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 and Co-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 Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly 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:



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- Name of the investor;
 - Investor Category – Individual, Corporate, NRI, FII, 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 Demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the members 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 BRLM/ member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, 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 on page 202 in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE 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 BRLM and Co-BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliances 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 NSE and BSE for the use of their online IPO system should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on half-hourly basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM and Co-BRLM on a half-hourly basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired numbers 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 unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) 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.
- (f) 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 has

placed the original Bid. **Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.**

- (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 NSE or BSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM and Co-BRLM shall analyze the demand generated at various price levels and discuss pricing strategy with our Company.
- (b) Our Company, in consultation with the BRLM and Co-BRLM shall finalize the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder and the size, price and time of the Bid.
- (c) The allocation for QIBs of upto 50% of the Issue Size would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Issue Size, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under-subscription, if any, in any of the categories would be allowed to be met with spill over from any other category at sole discretion of our Company in consultation with the BRLM and Co-BRLM.
- (e) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission, if applicable, for Allotment of Equity Shares to them.
- (f) The BRLM and Co-BRLM, in consultation with our Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.

Proportionate Allotment Procedure

As specified in the SEBI Guidelines and this Red Herring Prospectus, allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 300 Equity Shares.

Signing of Underwriting Agreement and RoC Filing

- (a) Our Company, the BRLM, the Co-BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us 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 along with a table showing the number of Equity Shares to be issued. Any material updates between the date of the Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.



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Issuance of Confirmation of Allocation Note

- a) The BRLM or Registrars to the Issue shall send to the Syndicate Members, a list of their Bidders who have been allocated Equity Shares in the Issue.
- b) 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 to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
- c) Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for allotment to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

- 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 with 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 dematerialized form to the allottees.** Allottees will have the option to re-materialize 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 credited to their Depository Account pursuant to Allotment in this Issue.

GENERAL INSTRUCTIONS

Do's:

- (a) Check if you are eligible to apply;
- (b) Ensure that you Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Bid-cum-Application Form ([Pink], [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 a copy of your PAN card or PAN allotment letter with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place. (See section titled "Issue Procedure - 'PAN'" on page 202 of this Red Herring Prospectus.); and
- (i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.

Don'ts:

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay bid amount in cash, through Stock invest, by Money Order or by Postal Order;
- f) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 1,00,000);
- g) Do not fill up the Bid-cum-Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law;
- h) Do not send Bid-cum-Application Form by post; instead submit the same to a member of the Syndicate only; and
- i) Do not provide your GIR number instead of your PAN.

Instructions for Obtaining the Bid-Cum-Application Form

Bidders can obtain Bid-cum-Application Forms and /or Revision Forms from the Syndicate Members.

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 colour for Resident Indians and blue colour for NRI or FII or foreign venture capital fund registered with SEBI applying on repatriation basis).
- (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 thereafter subject to a maximum of Rs. 1,00,000.
- (d) For Non-Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 1,00,000 and in multiples of 300 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their D.P. Account 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.

Bids by Permanent Employees of our Company

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees/Executive Directors of our Company, who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. Pink colour form).
- Eligible Employees, as defined above, should mention the following at the relevant place in the Bid-cum-Application Form, in addition to other details contained therein:
- Employee Number



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- The sole/ first bidder should be Eligible Employees as defined above.
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those Bids by Eligible Employees, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to Eligible Employees whose minimum Bid amount exceeds Rs. 100,000.
- The maximum bid in this category by any Eligible Employee cannot exceed Rs. 25,000,000.
- Bid/ Application by Eligible Employees can also be made in the “Net Issue to the Public” Portion and such Bids shall not be treated as multiple Bids.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under-subscription in this category would be added back to the Non-Institutional and Retail Individual Bidders category in the ratio of 50:50. In case of under-subscription in the Net Issue to the Public Portion, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to Para “Basis of Allotment or Allocation” on page 204 of this Red Herring Prospectus.

Bidder's Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants Identification Number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository, the Bidder's bank account details. These bank account details would be printed on the Refund order, if any, to be sent to the Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLM nor our Company shall have any responsibility and undertake any liability for the same.

BIDDER'S DEPOSITORY ACCOUNT DETAILS

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed at 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 Bidders in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Investors should note that the refund cheques will be overprinted with details of bank account as per the details received from the depository.

Bids under Power of Attorney

In case of bids made pursuant to a power of attorney or by limited companies, corporate bodies or 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 & Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Issuer 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 Bids made pursuant to a Power of Attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the Certificate of Registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 Lacs and pension fund with the minimum corpus of Rs. 2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, we reserve 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 as our Company/BRLM may deem fit.

Bids by NRIs

NRI Bidders will have to comply with the following:

1. Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrars to the Issue.
2. NRI Bidders may please note that only such Bids 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 colour).

Bids by non-residents including NRIs, FIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis.

Bids and Revision to Bids must be made:

- 1) On the prescribed Bid-cum-Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- 2) In a single name or joint names (not more than three)
- 3) NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Individual Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-



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Institutional Bidders portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of 300 thereafter that the Bid Amount exceeds Rs. 1,00,000; for further details see “Maximum and Minimum Bid Size” at page 190 of this 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.
- 5) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open an Escrow Account of our Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form. The BRLM, Co-BRLM and Syndicate Members shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the margin 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 to the Issue

1. The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of our Company and submit the same to the member of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of our Company 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 and Co-BRLM.
3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
 - (i) In case of Resident Bidders: **“Escrow Account - Nitin Spinners Limited Public Issue”**
 - (ii) In case of Non Resident Bidders: **“Escrow Account - Nitin Spinners Limited Public Issue - NR”**
 - (iii) In case of Employees: **“Escrow Account - Nitin Spinners Limited Public Issue - Employees”**

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (“NRO”) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

4. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

5. Where a Bidder has been allocated a lesser number of Equity Shares than what 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 of our Company.
6. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.
7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
8. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheques or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash / Stock invest / Money Orders / Postal Orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stock invest will not be accepted.

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 BRLM/Co-BRLM/Syndicate Members at the time of submitting the Bid-cum-Application Form. The BRLM/Co-BRLM/Syndicate Members may at their discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLM/Co-BRLM/Syndicate Members will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications 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 in single or joint names will be deemed to be multiple bids if the sole and/ or first bidder is one and the same.

Bid/ Application by Eligible Employees can be made also in the "Net Issue to the Public" and such bids shall not be treated as 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 concerned 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.



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Permanent Account Number (PAN)

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the 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/have mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B) or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Unique Identification Number (UIN)

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/Circulars vide its circular MAPIN/ Cir- 13/2005.

Right to Reject Bids

Our Company 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 and Employees, we would 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 technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional Bidders and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of 300;
11. Category not ticked;
12. Multiple bids as defined in this Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stock invest/money order / postal order / cash;
15. Bids not duly signed by the sole/joint Bidders;

16. Bid-cum-Application Form does not have the stamp of the Syndicate Member;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the relevant regulations;
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 depository participant's identity (DP ID) and the beneficiary's identity;
21. Bids by OCBs;
22. Bids by U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.
23. Bids by NRIs not disclosing their residential status.

Equity Shares in Dematerialized 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 dematerialized form (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among our Company, the Depositories and the Registrar:

1. An Agreement dated November 9, 2005 among CDSL, our Company and Bigshare Services Private Limited.
2. An Agreement dated November 24, 2005 among NSDL, our Company and Bigshare Services Private Limited.

All bidders can seek allotment only in dematerialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. 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.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
5. 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.
6. 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/her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. BSE and NSE, where Equity Shares are proposed to be listed, is connected to NSDL and CDSL.
8. The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of BSE and NSE.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date of Bid Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.



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Pre-Issue and Post Issue Related Problems

We have appointed Mr. T.K. Jain, Company Secretary & Finance Manager, 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:

Mr. T.K. Jain

Company Secretary & Finance Manager,
Nitin Spinners Limited,
16-17 Km. Stone, Chittor Road,
Hamirgarh, Bhilwara – 311 025.
Tel: +91-1482- 286 111
Fax: +91-1482- 286 114
E-Mail: ipo@nitinspinners.com

Disposal of Applications and Application Money

We shall ensure despatch of Allotment advice or refund orders and giving of benefit to the beneficiary account with Depository Participants and submission of the Allotment and Listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the despatch of refund orders, if any, of value up to Rs. 1,500, if any, "Under Certificate of Posting" and despatch of refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use our best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges, where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- i) Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- ii) We would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- iii) 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 dematerialized credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required by the Registrars to the Issue for despatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by our Company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Basis of Allotment or Allocation

1. For Permanent Employees and Executive Directors of our Company resident in India (the "Employees" for purposes of this paragraph)
 - Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
 - If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
 - If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 300 Equity Share and thereafter in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.
 - Only permanent employees and Executive Directors of our Company during the period commencing from the date of filing the Red Herring Prospectus with RoC and ending with the Bid/Issue Closing Date are eligible to apply.

2. 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [●] 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 thereafter in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

3. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 300 Equity Shares and thereafter in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

4. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLM and Co-BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than [●] Equity Shares.

Method of Proportionate Basis of Allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

- The total number of Equity Shares to be allotted to each portion 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 shares applied for) multiplied by the inverse of the over-subscription ratio.
- 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 portion 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 portion is equal to the number of Equity Shares calculated in accordance with (b) above.



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If the proportionate allotment to a Bidder works out to a number that is more than 300 Equity shares but is a fraction, the fraction would be rounded off to the higher whole number if that decimal is 0.5 or more. If that decimal is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any portion 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 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 finalization 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 or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date and adequate funds shall be made available to the Registrar for the said purpose.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI

Guidelines, we undertake that:

- Allotment shall be made only in dematerialized 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.

Undertakings by Our Company

We undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at the stock exchanges, where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- (c) that the funds required for despatch of refund orders / allotment advice/ certificates by registered post or speed post shall be made available to the Registrar to the Issue by us;
- (d) that the promoters' contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public;
- (e) that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- (f) that no further issue of Equity Shares shall be made until the Equity Shares Issued through this Red Herring Prospectus are listed or until the Bid Moneys are refunded on account of non-listing, under-subscription etc.

Utilization of Issue Proceeds

Our Board of Directors certifies that:

- (a) all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of the Issue as referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized;
- (c) details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

Our Board of Directors further certifies that:

- (i) the utilization of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilized; and
- (ii) the details of all unutilized monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such unutilized monies have been invested.

Our Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Equity Shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines thereunder. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but persons resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to Equity 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.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

The Authorized capital of our Company is Rs. 5000 Lacs divided into 485 Lacs Equity Shares of Rs. 10/- each and 1.50 Lacs preference shares of Rs. 100 each.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of our Company are detailed below:

(i) Preliminary

Matter	Contents
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|----|--|
| 1. | The Regulations contained in Table A, or Schedule I, to Companies Act, 1956 shall not apply to the Company except as far as the same are reproduced or contained in or expressly made applicable by these Articles or the Act. |
| 2. | These regulations are for the management of the Company and are for the observance of the members thereof and their representatives and shall be, subject to any exercise of the Company's power to modify, alter or add to its regulations, as are contained in the Articles. |

- (ii) Articles relating to rights of members regarding voting, dividend, lien on shares, process for modification of such rights and forfeiture of shares

Title of Article	Article number and contents
HOW NEW SHARES RANK WITH EXISTING SHARES	
HOW FAR NEW SHARES TO RANK WITH EXISTING SHARES	8. The new shares will be subject to the same provisions with reference to the payment of calls, Dividends, lien, transfer, transmissions, forfeiture, appropriation and otherwise as the shares in the original share capital.
VOTES OF MEMBERS	
VOTE OF MEMBERS	49. Subject to any rights or restrictions for the time being attached to any class or classes of shares: - <ul style="list-style-type: none"> (a) On a show of hands, every member present in person shall have one vote and (b) On a poll the voting right of members shall be one vote for each share held by them.
VOTES OF JOINT HOLDERS	50. In case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
VOTE IN RESPECT OF MEMBERS OF UNSOUND MIND	51. 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.
RESTRICTION ON VOTING	52. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

Title of Article	Article number and contents
OBJECTION TO VOTES	<p>53. (i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purpose.</p> <p>(ii) Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.</p>
PROXY, ETC. TO BE DEPOSITED AT THE REGISTERED OFFICE.	<p>54. 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 of that power or authority shall be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.</p>
WHEN VOTE BY PROXY VALID THROUGH AUTHORITY REVOKED	<p>55. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given, provided no intimation in writing of the death or insanity or revocation or transfer of shares shall have been received by the Company at the registered office before the vote is given.</p>
DIVIDENDS AND RESERVES	
DECLARATION OF DIVIDEND	<p>108. The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board and the Company in general meeting may declare smaller dividend.</p> <p>(a) Subject to the provisions of Section 205 of the Act, no dividend shall be declared and paid for any financial year except out of the profit of the company or out of the moneys provided by the Central Government or State Government for payment of dividend in pursuance of any guarantee given by such Government and no dividends shall carry interest as against the company.</p> <p>(b) Nothing contained in these Articles shall be deemed to affect in any manner the operation of Section 208 of the Act.</p>
INTERIM DIVIDEND	<p>109. The Board may, from time to time, pay to the members such interim dividends as appears to it to be justified by the profits of the Company.</p>
RESERVE	<p>110. (i) The Board may before recommending any dividend set aside out of the profits of the Company such sums as it thinks proper as are serve or reserves which shall at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied including a provision for meeting contingencies or for equalising dividends and pending such application may at the like discretion, either be employed in the business of the Company or be invested in such investment (other than shares of the Company) as the Board may, from time to time, think fit.</p> <p>(ii) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.</p> <p>(iii) The unpaid or unclaimed dividend shall be dealt with in accordance with Section 205(A) of the Act and Rules made thereunder.</p>



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Title of Article	Article number and contents
DIVIDEND CREDITED ON AMOUNT PAID-UP	<p>111. (i) All dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shared.</p> <p>(ii) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.</p>
DEBT MAY BE DEDUCTED FROM DIVIDEND	<p>112. Subject to section 205A of the Act, the Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.</p>
DIVIDEND OR BONUS BY ASSET DISTRIBUTION	<p>113. (i) Any General Meeting declaring a dividend or bonus wholly or partly by the distribution of specific assets; the Board shall give effect to the resolution of meeting.</p> <p>(ii) Where any difficulty arises in regard to such distribution the Board may settle the same as it thinks expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing for the value so fixed in order to adjust the right of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.</p>
PAYMENT BY POST	<p>114. (i) Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post direct to the registered address of the hold or in case of joint holders, to the registered address of that one of the joint holders who is the first named on the register of members or to such address as the holder or joint holder may in writing direct.</p> <p>(ii) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.</p> <p>(iii) Subject to section 205A of the Board may retain the dividend payable upon any shares in respect of which any person is under the Transmission Clause entitled to become a member which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.</p>
DIVIDENDS TO MEMBERS REGISTERED JOINTLY	<p>115. Any one or two or more joint holders of a share may give effectual receipts for any dividends, bonus or other moneys payable in respect of such share.</p>
NOTICE OF DIVIDEND	<p>116. Notice of any dividend that may have been declared shall be given to the person entitled to share therein in the manner mentioned in the Act.</p>
NO INTEREST ON DIVIDEND	<p>117. No dividend shall bear interest against the Company.</p>

LIEN

Title of Article	Article number and contents
COMPANY'S LIEN ON SHARES	<p>18. (i) The Company shall have a first and paramount lien on every share not being fully paid up share for all moneys whether presently payable or not, called or payable at a fixed time, in respect of that share</p> <p>(ii) The Company's lien, if any on a share shall extent to all dividends payable thereon.</p>
ENFORCEMENT OF LIEN	<p>19. The Company may sell in such manner as the Board thinks fit any shares on which the Company has a lien provided that no sale shall be made</p> <p>(a) Unless a sum in respect of which the lien exists is presently payable or</p> <p>(b) Until the expiration of fourteen days after a notice in writing demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share of the person entitled thereto by reason of his death or insolvency.</p>
VALIDITY OF SALES IN EXERCISE OF LIEN	<p>20. (i) To give effect to any such sale the Board may authorize some person to transfer the shares sold to the purchaser thereof.</p> <p>(ii) The purchase shall be registered as the holder of shares comprised in any such transfer.</p> <p>(iii) The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.</p>
APPLICATION OF SALE PROCEEDS	<p>21. (i) The proceeds of the sale shall be received by the Company if any applied in payment of such part of the amount in respect of which the lien exists as is presently payable.</p> <p>(ii) The residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares before the sale be paid to the persons entitled to the shares at the date of the sale.</p>
MODIFICATION OF RIGHTS	
POWER TO MODIFY RIGHTS AND PRIVILEGES ATTACHED TO ANY CLASS OF SHARES	<p>11. i. If at any time share capital is divided into different classes of shares, all or any of the rights, privileges attached to any class (unless otherwise provided by the terms of issue of the shares of the class) may, subject to the provisions of Section 106 and 107 of the Act and whether or not the Company is being wound up be varied, modified, commuted, effected or abrogated with the consent in writing of the holders of three fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class.</p> <p>ii. To every such separate meeting the provisions of these Articles relating to general meeting shall mutatis mutandis apply, so that the necessary quorum shall be five persons at least holding or representing by proxy one-third of the issued shares of the class in question.</p>



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RIGHT OF HOLDER OF ISSUED SHARES WHEN DEEMED TO BE VARIED	<p>iii. This Article is not to derogate from any power which the company would have, if this Article were omitted. The rights conferred upon the holders of the shares (including preference, if any) of any class issued with preferred or other rights or privileges shall unless otherwise expressly provided by the terms of issue of shares that class to be deemed not to be modified, commuted effected, abrogated dealt with or varied by the creation or issue of further shares pari passu therewith.</p> <p>12. The rights 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 issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.</p>
PERMISSION TO CARRY ON ACTIVITIES REQUIRING AUTHORISATION BY ARTICLES	<p>(iii) Other provisions of the Company's Articles of Association</p> <p>3(B)(b). Wherever in the said Act it has been provided that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company is so authorised by its Articles, than in the case these Regulations hereby authorises and empowers the Company to have such right, privilege or authority and to carry such transaction as have been permitted by the Act without there being any specific regulation in that behalf herein provided. An illustration of such rights, authorities and transactions are set out with relevant sections as under :</p> <p>Section 80: to issue Redeemable Preference Shares</p> <p>Section 92: to accept unpaid share capital although not called.</p> <p>Section 93: to pay dividend in proportion to amount Paid</p> <p>Section 94: to alter the share capital of the Company.</p> <p>Section 100: to reduce the share capital of the Company.</p>
AUTHORISED SHARE CAPITAL	<p>CAPITAL</p> <p>4. The Authorised Share Capital of the Company is Rs. 50,00,00,000/- (Rupees Fifty Crores) divided into 4,85,00,000 (Four Crore Eighty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 1,50,000 (One Lac Fifty Thousand) Preference Shares of Rs. 100/- (Rupees One Hundred) each with the power to increase, consolidate, decrease or divide in accordance with the regulations of the Company and the legislative provisions for the time being in force in that behalf and with power to divide the shares in the capital for the time being into Equity Share Capital and to attach thereto respectively and preferential, qualified or special rights, privileges or conditions.</p>
PREFERENCE SHARES	<p>5. Without prejudice to the generality of the powers of the Company contained in Article (4) above the Company shall have power to issue Preference Shares carrying a right of redemption out of profits or out of the proceeds of a fresh issue of shares or liable to be redeemed at the option of the Company and the Directors may subject to the provisions of Section 80 of the Act exercise such power in any manner they may think fit.</p>

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ALLOTMENT OF SHARES	6. Subject to the provisions of these Articles and Section 81 of the Act the shares shall be under the control of the Board who may allot or otherwise dispose of the same to such persons on such terms and conditions and at such times either at par or at a premium and for such consideration, as the Board thinks fit. Provided that, where at any time (after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after formation, whichever is earlier) it is proposed to increase the subscribed capital of the Company by the allotment of further shares subject to the provisions of Section 81 (1A) of the Act, the Board shall issue such shares in the manner set out in Section 81(1) of the Act. 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.
PROVISIONS RELATING TO THE ISSUE	7. Subject to any direction to the contrary that may be given by the resolution sanctioning the increase of share capital all new shares, before issue, shall be offered to such persons as at the date of offer are entitled to receive notices from the Company of general meeting in proportions, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined and after the expiration of that time or on receipt of an intimation from the persons to whom the offer is made that he declines to accept the shares offered then in that event the Directors may dispose of the same in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of new shares which (by reason of ratio which the new shares bear to shares held by person entitled to an offer of new shares) cannot in the opinion of the Directors, be conveniently offered under these Articles.
POWER TO SUBDIVIDE AND CONSOLIDATE SHARES	9. The Company by ordinary resolution may: <ol style="list-style-type: none"> Consolidate and divide all or any of its shares capital into shares of larger amount than its existing shares. Sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association; subject nevertheless to the provisions in Section 94(1) (d) of the Act. Cancel any shares which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
REDUCTION OF CAPITAL	10. The Company may by special resolution reduce its share capital in any manner and with and subject to any incident and consent required by the act.
BROKERS AND UNDERWRITERS	
COMMISSION AND BROKERAGE	13. Subject to the provisions of Section 76 of the Act, the Company may at any time pay commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any share in or debentures of the Company or his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company, as per notification issued by the Company Law Board.



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	SHARES
TRUST NOT RECOGNISED	14. Subject to Section 187 C of the Companies Act, 1956 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 recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any shares or any interest in any fractional part of share (except only as by these or by law otherwise provided) any other rights in respect of any share except as absolute right to the entirety thereof in the registered holder.
MEMBER'S RIGHT TO CERTIFICATE	16. (i) Every person whose name is entered as a member in the register of members shall be delivered within three months after allotment or within 2 months of the registration of transfer the certificate of all shares, debentures or debenture-stock or within such other period as the conditions of issue of the shares, debenture or debenture stock shall otherwise provide : (a) One certificate for all his shares without payment or (b) Several certificate each for one or more of his shares upon payment of one rupee for every certificate after the first. (ii) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid up thereon. (iii) In respect of any share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
ISSUE / RENEWAL OF SHARE CERTIFICATE	17. If a share certificate is defaced, lost or destroyed it may be renewed on payment of such fee if any, not exceeding Rs. 2/- (Rupees Two) and on such terms if any as to evidence and indemnity and the payment of out-of-pocket expenses incurred by the Company in investigating evidence as the Directors think fit. The share certificate shall be issued subject to the provisions of Companies (Issue of Share Certificates) Rules, 1960.
DEMATERIALISATION OF SECURITIES BENEFICIAL OWNER	17 (A) Definitions "Beneficial Owner" means a person whose name is recorded as such with a depository.
SEBI BOARD	"SEBI Board" means the Securities and Exchange Board of India.
BYE-LAWS	"Bye-Laws" mean bye-laws made by a depository under section 26 of the Depositories Act, 1996;
DEPOSITORIES ACT	"Depositories Act" means the Depositories Act, 1996 including any statutory modifications or re-enactment thereof for the time being in force;
DEPOSITORY	"Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992;

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RECORD	“Record includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by the SEBI Board;
REGULATIONS	“Regulations” mean the regulations made by the SEBI Board;
SECURITY	“Security” means such security as may be specified by the SEBI Board.
DEMATERIALISATION OF SECURITIES	17(B) Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.
OPTIONS TO RECEIVE SECURITY CERTIFICATES OR HOLD SECURITIES WITH DEPOSITORY	17(C) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository; Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its record the name of the allotted as the beneficial owner of that security.
SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM	17(D) All securities held by a depository shall be dematerialised and shall be in a fungible form; Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS	17(E) (1) Notwithstanding anything to the contrary contained in the Articles, a depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner; (2) Save as otherwise provided in (1) above, the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it; (3) Every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the securities held by a depository.
DEPOSITORY TO FURNISH INFORMATION	17(F) Every depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.
OPTION TO OPT OUT IN RESPECT OF ANY SECURITY	17(G) If a beneficial owner seeks to opt out of a depository in respect of any security, the beneficial owner shall inform the depository accordingly. The depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on



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SECTIONS 83 AND 108 OF THE ACT NOT TO APPLY	<p>payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.</p> <p>17(H) Notwithstanding anything to the contrary contained in the Articles:</p> <p>(1) Section 83 of the Act shall not apply to the shares held with a depository;</p> <p>(2) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository.</p>
REGISTER AND INDEX OF BENEFICIAL OWNERS	<p>17 (I) The Register and Index of beneficial owners maintained by a depository under section 11 of the Depositories Act, shall be deemed to be an Index of Members and Registers and Index of Debentureholders as the case may be for the purposes of the Act."</p>
CALLS	<p>CALLS ON SHARES</p> <p>22 (i) Subject to the provisions of section 91 of the Act, the shareholders, at a properly convened general meeting of the company may from time to time make such calls as they may think fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times, and the members shall pay the amount of every call so made on him to the persons and at the time and place so appointed</p> <p>(ii) Each member shall, subject to receiving at least fourteen days notice, specifying the time or times and place of payment pay to the company at the time or times so specified, the amount called on his shares.</p> <p>(iii) A call may be revoked or postponed at the discretion of the Board.</p>
CALL WHEN DEEMED TO HAVE BEEN MADE	<p>23. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by installments.</p>
LIABILITY OF JOINT HOLDERS	<p>24. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.</p>
WHEN INTEREST ON CALLS PAYABLE	<p>25. (i) If a sum called in respect of a share is not paid before or on the date appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment of 15% per annum or at such other rate as the Board may decide</p> <p>(ii) The Board shall be at liberty to waive payments of any such interest wholly or in part.</p>
CALL WHEN DEEMED TO BE MADE	<p>26. (i) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date whether on account of the nominal value of the shares or by way of premium shall for the purpose of these regulations be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable</p>

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	(ii) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeitures or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
PAYMENT OF CALL IN ADVANCE	<p>27. The Board:</p> <p>(i) May, if it thinks fit receive from any member willing to advance the same, all or any part of moneys uncalled and unpaid upon any share held by him</p> <p>(ii) Upon all or any of the moneys so advanced the Company shall not pay any interest. Money paid in advance of calls shall not in respect thereof confer a right to dividend or to participate in the profits of the company.</p>
DEFAULT IN PAYMENT OF CALLS	28. No member shall be entitled to receive any dividend or exercise any privileges as a member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any) and the Board may deduct from the dividend/interest payable to any members all sums of money so due from him to the company.
EVIDENCE IN ACTION BY COMPANY AGAINST MEMBERS	29. On the trial or hearing of any action or suit brought by the Company against any share-holder or his representatives to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the defendant is or was when the claim arose, on the Register as a holder or one of the holders, of the number of shares in respect of which such claim is made and that amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of the Board who made any call, not that a quorum was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted, nor any other whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
	BUY BACK OF SHARES
BUY BACK OF SHARES	29(A) The Company shall have the power, subject to and in accordance with all applicable provisions of law and as per the rules and procedures prescribed therein and in compliance with the prevailing regulatory provisions and any future amendments or re-enactments, to buy back/purchase/acquire any of its own shares, whether fully paid or otherwise, and whether or not they are redeemable and may make the payment including out of capital in respect of such buy back/purchase/acquisition and the same shall not be construed as reduction of equity share capital under Article 10 hereinabove.
	TRANSFER AND TRANSMISSION OF SHARES
TRANSFER OF SHARES	30. Shares in the Company shall be transferred by an instrument in the form prescribed by the Act.



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MANNER OF TRANSFER	31. Every instrument of transfer shall be left at the office of the Company for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the transferor and his right to transfer the share and upon payment of proper fee the transferee shall (subject to the Director's right to decline to register any transfer) be registered as a member in respect of such shares.
EXECUTION OF TRANSFER	32. Every such instrument of transfer shall be duly stamped and shall be signed by or on behalf of both the transferor and transferee and the transferor shall remain the holder of such share until the name of the transferee is entered in the Register in respect thereof. The name, address and occupation, if any, of the transferee shall be specified in the instrument of transfer. All joint transferors and joint transferees shall sign the instrument of transfer.
APPLICATION FOR REGISTRATION	33. An application for registration of a transfer of shares may be made either by the transferor or by the transferee; where the application is made by transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives to the transferee notice of the transfer and within two weeks from the receipt of the notice the transferee has not objected to the transfer. For the purpose of this Article notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered at the time at which it would have been delivered in the ordinary course of post.
NO NOTICE OF EQUITABLE RIGHT, TITLE OR INTEREST	34. The Company shall subject to section 187C of the Act incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the name notwithstanding that the Company may have had notice to such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound to or required to regard or attend or give effect to any notice which may be given to it of any equitable rights title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or transferred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.
BOARDS POWER TO REFUSE REGISTRATION	35. (a) Notwithstanding anything contained in these Articles and subject to section 111(8) of the Act, the Directors may in their absolute and uncontrolled discretion decline to register or acknowledge any transfer of shares and the right of refusal shall not be affected by the circumstances that the proposed transferee is already a member of company. In particular and without prejudice to the generality of the above powers the Directors may also refuse to register the transfer of any shares upon which the Company has a lien or when the Directors are of opinion that it is not desirable to admit the proposed transferee

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	<p>to membership. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons, in debited to the company on any account whatsoever except where calls are payable in respect of such shares</p> <p>(b) Nothing in section 108,109 and 110 of the Act, shall prejudice this power to refuse to register the transfer of the transmission by operation of law of the right to, any shares of interest of a member in or debentures of the Company</p> <p>(c) If the company refuses, whether in pursuance of any power under these Articles or otherwise, to register any such transfer or transmission of right, it shall within one month from the date on which the instrument of transfer or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.</p>
DEATH OF MEMBER	<p>36. In the case of death of any one or more of the persons named in the Register as the Joint holders of any share, the survivor or survivors shall be the only persons recognized by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the assets of the deceased joint holder from liability on the shares held by him jointly with any other person.</p>
LEGAL REPRESENTATIVE OF A DECEASED MEMBER	<p>37. The executors or administrators of deceased members or the holder of a succession certificate in respect of a deceased member (such deceased member not being one of several joint holders) shall be the only person recognized by the Company as having interest in or title to the shares registered in the names of such members and the Company shall not be bound to recognise such executors unless such executors shall have first obtained probate form a court in India having jurisdiction provided that in any case where the Directors in their absolute discretion think fit, they may dispense with the production of probate or letters of Administration or other legal representation upon such terms as to indemnity or otherwise as they may deem fit and under the next Article register the name of any person who claims to be absolutely entitled to the shares standing in the name of the deceased member as a member.</p>
TRANSMISSION OF SHARES	<p>38. Any person becoming entitled to shares in consequence of the death or insolvency of any member or by any lawful means, upon producing such evidence of his title as the Directors think sufficient, may, with the consent of Directors (which they shall not be under any obligation to give) be registered member in respect of such shares or may, subject to the regulations as to transfer herein before contained transfer such shares. This Article is hereinafter referred to as "The Transmission Article".</p>
GUARDIANS, LUNATICS AND MINORS	<p>39. The guardian of a minor entitled to shares and the committee of lunatic entitled to shares may upon producing the Directors such evidence of their position as may be reasonably required by them be placed upon the Register in respect of the shares to which the minor or lunatic may be entitled as the case may be.</p>



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VERIFICATION OF TRANSMISSION	40. Every transmission of share shall be verified in such manner as the Directors may require and the company may refuse to register any 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 Directors at their discretion shall consider sufficient, provided nevertheless, that there shall not be any obligation on the Company or the Directors to accept any indemnity. The Directors shall have the same right to refuse to register a person as member entitled by transmission to any share or his nominee as if he was the transferee named in an ordinary transfer presented for registration.
FEES FOR TRANSFER AND TRANSMISSION	41. No fee shall be charged in respect of the transfer or transmission of any shares of any class or denomination.
CLOSURE OF REGISTER OF MEMBERS	42. The transfer Book and the Register of members may be closed upon giving such notice as its required by section 154 of the Act during such time as the Directors think fit not exceeding in the aggregate forty five days in each year but not exceeding thirty days at any one time.
GENERAL MEETING	
EXTRAORDINARY GENERAL MEETING	43. All general meeting other than Annual General Meetings shall be called Extra-ordinary General Meetings.
WHEN EXTRAORDINARY GENERAL MEETING TO BE CALLED	44. (i) The Board may whenever it thinks fit, call an extraordinary general meeting. (ii) If at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum any Director or the members holding 1/10 th of the paid up share capital of the Company may call an extraordinary general meeting in the same manner as nearly as possible, as that in which such a meeting may be called by the Board.
QUORUM	45. (i) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. (ii) Subject to the provisions of the Act and save as herein otherwise provided, any five members present in person shall be a quorum. (iii) If within half-an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon such requisition as aforesaid shall be dissolved, but in any other case shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such time and place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present within half-an-hour from the time appointed for holding the meeting those members, who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.
CHAIRMAN OF GENERAL MEETING	46. The Chairman of the Board of Directors, if any, shall be entitled to take the chair at every General Meeting or if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is

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ADJOURNMENT OF GENERAL MEETING	<p>unwilling to act, the members present shall choose another Director as Chairman and if the Director present or if all the Directors present decline to take the chair, then the members present shall choose one of their members to be Chairman.</p> <p>47. (i) The chairman may with the consent of any meeting at which quorum is present and shall if so directed by the meeting, adjourn the meeting from time to time and from the place to place</p> <p>(ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place</p> <p>(iii) When a meeting is adjourned for thirty days or more notice of the adjourned meeting shall be given as in the case of an original meeting</p> <p>(iv) Save as aforesaid it shall not be necessary to give any notice of an adjournment of the business to be transacted at an adjourned meeting.</p>
BUSINESS TRANSACTED PENDING POLL	<p>48. Any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.</p>
POSTAL BALLOT	<p>48(A) The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Companies Act, 1956 ("the Act") and such other applicable provisions of the Act and any future amendments or re-enactments. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of a postal ballot instead of transacting the business in a general meeting of the Company.</p>
NUMBER OF DIRECTORS AND TYPES OF DIRECTORS	<p>DIRECTORS</p> <p>56. (a) The number of Directors of the Company shall not be less than 3 and more than 12 including the Special Director, if any and the Debenture Director, if any and the Corporation Director, if any. The Company may increase the number of Directors subject to provisions of law.</p> <p>(b) Unless otherwise determined by the company in General Meeting a Director shall not be required to have a share qualification, but nevertheless shall be entitled to attend and speak at any General Meeting of the company and any separate meeting of the holders of any class of shares in the company.</p> <p>(c) Any Trust deed for securing debentures or debenture-stock may, if so arranged, provide for the appointment, from time to time, by the Trustees thereof or by the holders of debentures or debenture-stock of some person or persons to be a Director or Directors of the Company and may empower such Trustees or holders of Debentures or debenture-stocks, from time to time, to remove and reappoint any Director so appointed and at the time of such removal and also in the case of death or resignation of the person so appointed, any time, appoint any other person as a 'Debenture Director' in his place. The Director appointed under this Article is herein referred to as</p>



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	<p>'Debenture Director' and the term 'Debenture Director' means the Director for the time being in office under this Article. The Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.</p> <p>(d) So long as any moneys be owing to the Company to or in respect of any underwriting arrangements with any Financial Corporation or Credit Corporation or any Financing Company or Body (which Corporation or Body is hereinafter in this Article referred to as the Corporation), the Directors may authorize such Corporation to nominate, from time to time, any person or persons as a Director or Directors of the Company (which Director is hereinafter referred to as 'Corporation Director' and may agree, that the Corporation Director shall not be liable to retire by rotation. The Corporation may at any time and from time to time remove any such Corporation Director nominated by it and may at the time of such removal and also in the case of death or resignation of the persons so nominated, at any time, nominate any other person as Corporation Director in his place. Such nomination or removal shall be made in writing signed by the Chairman of the Corporation or any person or Director thereof and shall be delivered to the company at its registered office. It is clarified that every Corporation entitled to nominate a Director under this Article may nominate one or more such person or persons as a Director(s) and so that if more than one Corporation is so entitled there may be at any time as many Corporation Directors as the Corporations eligible to make the nomination, nominee.</p> <p>(e) In connection with any collaboration arrangement with any Company or Corporation or firm or person for supply of technical know how and machinery or technical advice, the Directors may authorize such Company, Corporation, firm or person (hereinafter in this clause referred to as Collaborator) to nominate from time to time any person or persons as a Director or Directors of the Company (hereinafter referred to as 'Special Directors') and may agree that such Special Director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter. The Collaborator may at any time and from time to time remove any such Special Director nominated by it and may at the time of such removal and also in the case of death or resignation of the person so nominated, at any time, nominate any other person as a Special Director in his place and such nomination or removal shall be made in writing signed by such Company or Corporation or any partner or such person and shall be delivered to the Company at its registered office. It is clarified that every collaborator entitled to nominate a Director under this Article may nominate one or more</p>

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HOLDING OF OFFICE OR PLACE OF PROFIT	<p>such persons as a Director (s) and so that if more than one Collaborator is so entitled, there may be at any time as many Special Directors as the Collaborators eligible to make the nomination, nominate.</p> <p>58. Any Director or other person referred to in Section 314 of the Act may be appointed to hold any office or place of profit under the Company or under any subsidiary of the Company in accordance with the provisions of Section 314 of the Act.</p>
BOARDS POWER TO DECLARE A DIRECTOR AS NON RETIRING	<p>59. (a) Subject to the provisions of Section 255 of the Act and provisions of Articles 58 and 64, the Board shall have power to declare such of the Directors for the time being as not liable to retire by rotation with power to revoke such declaration and upon revocation of such declaration such Director shall become liable to retire by rotation and shall be reckoned for determining the Directors to retire by rotation.</p> <p>(b) The Board shall exercise its powers of declaration and revocation aforesaid in a manner that the number of Directors not liable to retire by the rotation (including the Special Directors who may be appointed under Article 56 and the Managing Director if any) shall not exceed one-third of the total number of Directors for the time being.</p>
APPOINTMENT OF RETIRING DIRECTORS	<p>60. The remaining Directors liable to retire by rotation may be appointed by the Company in General Meeting.</p>
RIGHT OF PERSON OTHER THAN RETIRING DIRECTORS TO STAND FOR DIRECTORSHIP	<p>61. (1) At every Annual General Meeting one-third of such of the Directors for the time being as are liable to retire by rotation or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.</p> <p>(2) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot.</p> <p>(3) After Annual General Meeting at which a Director retired as aforesaid, the Company may fill up the vacancy by reappointing the retiring Director or some other person thereto.</p> <p>(4) If the place of the retiring Director is not so filled up and the meeting has not expressly resolved to fill the vacancy the meeting shall stand adjourned still the same day in the next week at the same time and place and if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place. If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting unless;</p> <p>(i) At the meeting or at the previous meeting a resolution for the re-appointment of such Director has been put to the meeting and lost;</p> <p>(ii) The retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;</p>



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	<p>(iii) He is not qualified or is dis-qualified for appointment;</p> <p>(iv) A resolution whether special or ordinary, is required for his appointment or re-appointment by virtue of any provisions of the Act; or</p> <p>(v) The provision to sub-section (2) of Section 263 of the Act is applicable to the case.</p> <p>(5) The expression "Retiring Director" in these clauses shall mean a Director retiring by rotation.</p>
	MANAGEMENT
MANAGEMENT OF THE COMPANY	<p>63. The Board of Directors may in accordance with the provisions of the Act, appoint a whole-time Director or President or Executive Director or Manager to manage its affairs. A Director may be appointed as a Secretary or Manager. The terms and conditions and the appointment of paid Directors shall be subject to the provisions of the Companies Act, 1956 and to the consent of the General Meeting of the Company whenever required.</p>
	MANAGING DIRECTOR AND OTHER PROVISIONS
MANAGING DIRECTOR	<p>64. (a) Subject to the provisions of section 198, 268, 269, 316 and 317 and other applicable provisions of the Companies Act 1956, the Board may, from time to time, appoint one or more the Directors to be the managing Directors of the Company on such terms and at such remuneration by way of salary or commission or participation in profits or partly in one and partly in another as they may think fit, either for a fixed term not exceeding five years at a time as to the period for which he is to hold such office and may, from time to time (subject to the provisions of any contract between him and the Company) remove or dismiss him from office and appoint another in his place.</p> <p>(b) Subject to the provisions of Section 255 of the Act, a Managing Director shall not, while he continues to hold that office be subject to retirement by rotation but he shall not be reckoned as Director for the purpose of determining the number of Directors retiring by rotation and in fixing the number of Directors to retire, but (subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as resignation and removal as the other Directors are and he shall ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director for any cause save that if he shall retire by rotation under the provisions of Section 255 of the Act at any Annual General Meeting and shall be reappointed a Director at the same meeting he shall not, by reason only of such retirement, cease to be a Managing Director. Further if at any time the total number of Managing Directors is more than one third of total number of Directors, the Managing Director who shall not retire shall be determined by and in accordance with the respective seniorities.</p>
REMUNERATION OF MANAGING DIRECTOR	<p>65. Subject to the provisions of the Section 268,269,309,310 and 311 of the Act and requisite permission/approval of Central Govt. and shareholders the remuneration and other terms and conditions of</p>

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POWERS OF MANAGING DIRECTOR	<p>Managing Director shall be that which is determined by the Board of Directors, from time to time. The remuneration of a Managing Director may be by way of monthly payment and/or for each meeting and/or by way of participation in profits or by any or all these modes.</p> <p>66. The Managing Director shall exercise such of the powers as are exercised by the Board of Directors save and except those which by previous resolution passed to that effect by the Board of Directors are to be exercised by the Board itself or such of the powers as the Company has in a general meeting specified to be exercisable by the Board.</p>
POWERS NOT TO BE EXERCISED	<p>67. The Managing Director shall not exercise the power :</p> <p>(i) to make calls on share holders in respect of moneys unpaid on the Shares in the Company.</p> <p>(ii) Issue debentures, and</p> <p>(iii) Except as may be delegated by the Board under Section 292 and 293 of the Act invest the funds of the Company or make loans or borrow moneys.</p>
DIRECTOR'S FEES, REMUNERATION AND EXPENSES	<p>68. (i) The remuneration of the directors shall, in so far as it consists of a monthly payment be deemed to accrue from day to day.</p> <p>(ii) In addition to the remuneration payable to them in pursuance of the Act, the directors shall be paid such sum of rupees as may be prescribed for the time being as the maximum fee payable by the Central Government being applicable to the company under section 310 or any other applicable provisions of the Act, for every meeting of the Board attended by them and may be paid all the traveling, hotel and other expenses properly incurred by them:</p> <p>(a) In attending and returning from meeting of the Board of Directors or any Committee thereof or general meetings of the Company or.</p> <p>(b) In connection with the business of the Company.</p>
SHARE QUALIFICATION	<p>69. The Directors shall not be required to hold any qualification shares.</p>
PRELIMINARY EXPENSES FOR INCORPORATION OF COMPANY	<p>70. The Board shall pay all the preliminary expenses including the costs, charges and expenses that may have been incurred by the incorporator and/or promoters for the incorporation and registration of the Company.</p>
NEGOTIABLE RECEIPTS	<p>71. All cheques, promissory notes, hundies, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be by such person in such manner as the Board shall from time to time by resolution determine.</p>
POWERS AND DUTIES OF DIRECTORS	
GENERAL POWER	<p>72. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act or any other Act or by the Memorandum and Articles of Association of the Company, required to be exercised by the Company in General Meeting, subject</p>

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	<p>nevertheless to these Articles or to the provisions of the Act or any other Act and to such regulations or provisions, as may be prescribed by the company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made PROVIDED that the Board shall not, except with the consent of the Company in General Meeting :-</p> <p>(a) (i) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company or where the Company owns more than one undertaking of the whole or substantially the whole, of any such undertaking.</p> <p>(ii) remit or give time for the repayment of any debt due by a Director.</p> <p>(iii) invest otherwise than in trust securities, the amount of compensation received by the Company in respect of the Compulsory acquisition of any such undertaking as is referred to in clause(a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time.</p> <p>(iv) Borrow moneys, where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the company and its free reserves that is to say, reserves not set apart for any specific purpose.</p> <p>(v) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will in any financial year, exceed Rs.50,000 (Fifty Thousand) rupees or 5% (five percent) average net profits as determined in accordance with the provisions of Section 349 and 350 during the three financial years immediately proceeding, which ever is greater.</p> <p>(b) The Directors shall have the power to enter into joint venture/ partnership Trust or such other arrangement with any other party, person or Government or foreign or Indian Companies collaborators, as they may deem fit in the course of carrying of Company's business.</p>
CERTAIN POWERS OF THE BOARD	<p>73. Without prejudice to the general powers conferred by this Article and so as not in any way to limit or restrict those powers and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers that is to say, power-</p> <p>73(1) To pay out of and charge to the capital account of the Company any commission or interest lawfully payable there out or chargeable there to under the provisions of Section 76 and 208 of the Act.</p> <p>73(2). Subject to Section 292 and 297 of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, all or for such price or consideration</p>

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	<p>and on such terms and conditions as they may think fit and in any such purchases or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably and satisfactory.</p> <p>73(3) At their discretion and subject to the provisions of the Act, to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, mortgages or other securities of the Company and such shares may be issued either fully paid-up thereon as may agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.</p> <p>73(4) To secure the fulfillment of any contract or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.</p> <p>73(5) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.</p> <p>73(6) To appoint any person to accept and hold in trust for the Company and property belonging to the Company, in which it is interested or for any other purposes and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.</p> <p>73(7) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demand by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon.</p> <p>73(8) To act on behalf of the Company in all matters relating to bankrupts and insolvents.</p> <p>73(9) To accept deposits from Members and the public and to make and give receipts, release and other discharges for moneys payable to the Company and for the claims and demands of the Company.</p> <p>73(10) Subject to the provisions of Section 292, 293, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately require for the purpose thereof upon such security (not being shares of this Company) or without security and in such manner as they may think fit and from time to time to vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.</p> <p>73(11) To execute, in the name and on behalf of the Company, in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgage of the Company's property (present and future) as they think fit and any such mortgages may contain a power of sale and such other powers provisions, covenants and agreements as shall be agreed upon.</p>

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	73(12) To determine, from time to time, who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
	73(13) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any officer or other person employed by the Company' a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expenses of the Company.
	73(14) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such person by building or contributing to the building of houses, dwelling or chawls or by grant of money pension, gratuities, allowances, bonus or other payments or by creating and from time to time subscribing or contributing to provident and other funds, associations, institutions or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and to subscribe or contribute or otherwise to assist or to guarantee money for charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality or operation or of public and general utility or otherwise.
	73(15) Before recommending any dividend, to set aside out of profits of the Company such sums as they may think proper for depreciation or to a Depreciation Fund or to an Insurance Fund or as a Reserve Fund or a Sinking Fund or a Special Fund to meet contingencies or to repay debentures or debenture-stock or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of property of the Company and for such other purpose (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 and 293 of the Act, to invest the several sums of set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company, notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve Fund into such special funds as the board may think fit, with full power to transfer the whole or any portion of a Reserve Fund to another Reserve Fund or division of a Reserve Fund with full power to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Debentures or

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	<p>debenture-stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.</p> <p>73(16) To appoint and at their discretion remove or suspend such senior executive (including whole time directors), secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries or emolument or remunerations and to require security in such instance and to such amounts as they may think fit. And also from time to time to provide for the transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit and the provisions contained in the next sub-clauses shall be without prejudice to the general powers conferred by the sub-clause.</p> <p>73(17) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these present and excluding the power to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the members of any local board, established as aforesaid or in favour of any company or the shareholders, directors, nominees or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such power of attorney may contain such power for the protection or convenience of person dealing with such attorneys as the Board may think fit.</p> <p>73 (18) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters, aforesaid or otherwise for the purposes of the Company, to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient.</p> <p>73(19) To make, vary and repeal bye-laws for the regulation of the business of the Company, its officers and servants.</p> <p>73(20) To pay the costs, charges and expenses/preliminary and incidental to the promotion, formation, establishment and regulation of the Company and to the issue of the further capital.</p> <p>73(21) To insure and keep insured against loss or damage by fire or otherwise, for such period and to such extent as they may think proper, all or any of the buildings, plant, machinery, vessels, vehicles, goods, stores, produce and all other movable and immovable property of the Company, either separately or conjointly and to assign, surrender or</p>



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	<p>discontinues any policies of insurance affected in pursuance of this power;</p> <p>73(22) To open accounts with any bank or bankers or with any company, firm or individual and to pay money into and draw money from or otherwise operate any such account, from time, as they may think fit.</p> <p>73(23) To attach to any shares to be issued as the consideration or part consideration for any contract with or property acquired by the Company or in payment for services rendered to the Company, such conditions as to the transfer thereof as they think fit.</p> <p>73(24) To delegate all or any of the powers, authorities, discretions for the time being vested in the Directors to any employees of the Company or to any other persons, firm or body corporate or otherwise to any fluctuating body of persons.</p> <p>74. The Board shall have full power;</p> <p>(a) To make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the cases of shares or debentures becoming distributable in fractions and also.</p> <p>(b) To authorize any person to enter, on behalf of all the member entitled thereto, into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of further shares or debentures to which they may be entitled upon such capitalization of (as the case may require) for the payment by the Company on their respective proportions of the profits resolved to be capitalized or the amounts remaining unpaid on their existing shares.</p>
	<p>AUTHENTICATION OF DOCUMENTS</p> <p>POWER TO AUTHENTICATE DOCUMENTS 75. Any Director or the Secretary or any officer appointed by the Board for the purpose shall have the power to authenticate any documents effecting the constitution of the Company and any books, records, documents and accounts relating to the business of the Company and to certify copies thereof or extracts there from as the true copies or extract any where and books, records, documents or accounts are elsewhere than at the office, the local manager or the other officer of the Company having the custody thereof, shall be deemed to be a person appointed by the Board as aforesaid,</p>
CERTIFIED COPIES OF RESOLUTION OF THE BOARD	<p>76. A document purporting to be a copy of resolution of the Board or an extract from the minutes of a meeting of the Board which is certified as such in accordance with the provisions of the these Articles shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of duly constituted meeting of the Directors.</p>
	<p>OTHER PROVISIONS REGARDING DIRECTORS</p> <p>POWER OF BOARD TO APPOINT DIRECTORS 77. (a) Subject to the provisions of section 255 and 260 of the Act and Article 56 the Board shall have a right to appoint Additional Directors, PROVIDED THAT the maximum strength fixed for the Board by the Articles is not exceeded.</p>

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OTHER DIRECTORS-HIPS	<p>(b) The Additional Directors shall hold office only upto the date of the Annual General Meeting of the Company held next after his appointment and shall be eligible for re-appointment by the Company as Director at the meeting subject to the provisions of the Act and the Articles.</p> <p>78. A Director of this Company may be or become a Director of any other Company promoted by the Company or in which he may be interested as a vendor, share-holder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company except in so far as Section 309 (6) or Section 314 of the Act may be applicable.</p>
DIRECTORS' POWER TO FILL CASUAL VACANCIES	<p>79. Subject to the provisions of Section 262 and 264 of the Act the Board, shall have power, at any time and from time to time to appoint any other qualified person to be Director to fill a casual vacancy. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated by him.</p>
ALTERNATE DIRECTOR	<p>80. (a) Subject to Section 313 of the Act, in the event of any Director hereinafter called the original Director is to remain absent for a period of not less than 3 months from the State in which meetings of the Board are ordinarily held then the Board may appoint an Alternate Director to act in his absence.</p> <p>(b) An alternate Director appointed under Clause (a) above shall not hold office as such for a period longer 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 the State in which meetings of the Board are ordinarily held.</p> <p>(c) If the term of office of the original Director is determined before he so returns to the State as aforesaid then in that event alternate Director appointed in place of the Original Director shall also cease to be Director.</p>
CONDITIONS UNDER WHICH DIRECTOR MAY CONTRACT WITH COMPANY	<p>81. Subject to the provisions of Section 297 of the Act neither shall a Director be disqualified from contracting with the Company either as vendor, purchaser or otherwise for goods material or services or for underwriting the subscription of any shares in or debentures of the Company nor shall any such contract or arrangement entered into by or on behalf of the Company with a relative of such Director or a firm in which such Director or relative is a partner or with any other partner in such firm or with a private Company of which such Director is a member or Director be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding office or of the fiduciary relation thereby established.</p>
DISCUSSION AND VOTING BY AN INTERESTED DIRECTOR	<p>83. No Director shall, as a Director, take any part in the discussion of or vote on any contract or arrangement in which he is in any way whether directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote. This prohibition shall not apply to:</p>



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	<p>(a) Any contract of indemnity against any loss which the Director or any of them may suffer by reason of becoming or being sureties or surety for the Company; or</p> <p>(b) Any contract or arrangement entered into or to be entered into by the Company with a public company or with a Private Company, which is subsidiary of a public company, in which the interest of the Director consists solely in his being a Director of such company and the holder of shares not exceeding a number of value as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a member of the company holding not more than two percent of the paid up share capital of that Company.</p>
	PROCEEDINGS OF THE BOARD OF DIRECTORS MEETING
MEETING OF DIRECTORS	85. The Directors may meet together as a Board for the despatch of business, from time to time, and shall so meet at least once in every three calendar months and at least four such meetings shall be held in every calander year. The Directors may adjourn and otherwise regulate their meetings as they think fit.
NOTICE OF DIRECTOR'S MEETING	<p>86. (a) Unless otherwise agreed to by the Directors appointed by promoters, Government (Central or State), any company authority or any other person or their alternates, written notice of every meeting of the Board shall be received at least two days in advance there of by every Director</p> <p>(b) Every notice convening a meeting of the Board of Directors shall set out the agenda business to be transacted thereat full and sufficient detail and no item of business shall be transacted at such meeting unless the same has been stated in full and sufficient detail in the said notice convening the meeting. PROVIDED that with the unanimous consent of all the directors present, any item of business not included in the agenda can be transacted at the meeting.</p>
QUORUM AT BOARD MEETING	87. Subject to section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (any fraction contained in that one-third being round off as one) or two Directors whichever is higher, PROVIDED that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.
ADJOURNMENT OF MEETING FOR WANT OF QUORUM	88. If a meeting of the Board could not be held for want of a quorum, then the meeting shall automatically stand adjourned to the same day, place and time in the next week, unless otherwise decided by the Directors present.
BOARD MEETING HOW CONVENED	89. A Director may at any time and the Secretary, upon the request of a Director shall, convene a meeting of the Board by giving a notice in writing to every Director as provided in Article 77.
CHAIRMAN	90. The Board shall appoint as chairman of its meeting one of the Directors and shall determine the period for which he is to hold office.

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CHAIRMAN TO PRESIDE AT ALL MEETINGS	<p>91. (a) The Chairman shall preside at all the meetings. If at any time the Chairman is not present at the time appointed for holding, the meeting, the Directors present shall choose one of their number to be the Chairman of such meeting.</p> <p>(b) The Chairman of the meeting shall have second/or casting vote in respect of the matters to be decided by the Board.</p>
QUESTIONS AT BOARD MEETINGS HOW TO BE DECIDED	92. Question arising at meeting of the Board of Directors shall be decided by a majority vote of the Directors present and entitled to vote there at.
POWERS OF BOARD MEETING	93. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act of the Articles of the Company are for the time being vested in or exercised by the Board.
APPOINTMENT OF COMMITTEES OF THE BOARD	94. Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to Committees of the Board and the Board may, from time to time, revoke and discharge any such committee of the Board either wholly or in part and either as to persons or purposes, but every Committee of the Board so formed shall on exercise of powers so delegated conform to any regulations that may, from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointment but not or otherwise, shall have the like force and affect as if done by the Board.
OTHER COMMITTEES	95. The Board may appoint other committees consisting of members or other persons or any directors, members and other persons and delegate any of their powers and from time to time revoke and discharge such committees, either wholly or in part and either as to persons or purpose and the committee so formed shall in the exercise of powers so delegated conform to any regulations, that may, from time to time, be empowered on it by the Board.
QUESTIONS AT COMMITTEE MEETING HOW DECIDED	96. Questions arising at any meeting of the Committee of the Board or other Committee shall decided by a majority vote of the members of such Committee present and entitled to vote thereat.
MEETING OF COMMITTEE HOW TO BE GOVERNED	97. The meetings and proceedings of any such Committee of the Board consisting of two or other Committee, members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors.
RESOLUTION BY CIRCULATION	98. No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, (including alternate Directors) or to all the members of the Committee of the Board, as the case may be then in India (not being less in number then the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or members of the committee at their usual address in India and has been approved by a majority of them as are then in India and entitled to vote on the resolution.



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Title of Article	Article number and contents
ACTS OF BOARD OR COMMITTEE VALID NOTWITHSTANDING DEFECT IN APPOINTMENT	99. All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director and had not vacated his office or his appointment had not been terminated; PROVIDED, that nothing in this Articles shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have determined.
MINUTES OF PROCEEDINGS OF MEETING OF THE BOARD	100. (a) Subject to section 193 of the Act, the Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making, within thirty days, of the conclusion of every such meetings entries thereof in books kept for that purpose with their pages consecutively numbered of all resolutions and proceedings of all meetings of the Company and of the directors of committee of Directors. (b) Each page of every such book shall be initiated or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the succeeding meeting. (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise unless permitted under law. (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat. (e) The minutes shall also contain:- (i) The names of the directors present at the meeting; and (ii) In the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from or not concurring with the resolution. (f) Nothing contained in sub-clauses (d) to (e) shall be deemed to require the inclusion in any minutes of any matter, which in the opinion of the Chairman of the meeting:- (i) is or could reasonably be regarded as defamatory of any person ; or (ii) is irrelevant or immaterial to the proceedings; or (iii) is determined to the interest of the Company. The Chairman shall exercise an absolute discretion regard to the inclusion or any matter in the minutes on the grounds specified in this sub clause. (g) Minutes of meetings kept in accordance with the aforesaid provisions shall be conclusive evidence of the proceedings recorded therein.

Title of Article	Article number and contents
MANAGEMENT OUTSIDE INDIA	<p>(h) Every director present at any meeting of the directors or committee of directors shall sign his name in book/registers to be kept for that purpose.</p> <p>101. Subject to the provisions of the Act, the Board may from time to time provide for the management of the affairs of the company outside India in such manner as it shall think fit.</p>
USE OF OFFICIAL SEAL ABROAD	<p>102. The Company may exercise the power conferred by Section 50 of the Act with regard to having an Official Seal for use abroad and such power shall be vested in the Board and the Company may cause to be kept in any State or Country outside India as may be permitted by the Act, a Foreign Register of Members or Debentures holders residents in any such State or Country and the Board may from time to time, make such regulations not being inconsistent with the provisions of Sections 157 and 158 of the Act and the Board may from time to time, make such provisions as it may think fit relating thereto and may comply with the requirements of any local law and shall in any case comply with the provisions of Section 157 and 158 of the Act.</p>
BOARD MAY ACT NOTWITHSTANDING VACANCY	<p>103. The continuing Directors may act notwithstanding any vacancy in Board, but if and so long as their number is reduced below and quorum fixed by the Act for a meeting of the Board, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum or of summoning a General Meeting of the Company but for not other purpose.</p>
SECRETARY	
DIRECTOR AND SECRETARY	<p>106. Subject to the provisions of the Act or Articles requiring or authorising a thing to be done by a Director and the Secretary shall not be satisfied by its being done by the same person acting both as Director and as or in place of the Secretary.</p>
THE SEAL	
CUSTODY OF SEAL	<p>107. (i) The Board shall provide for the safe custody of the seal.</p> <p>(ii) Subject to the provisions of the Companies (Issue of Share Certificate) Rules, 1960 the Seal of the Company shall not be affixed to any instrument except by the authority of and resolution of the Board and except in the presence of at least one Director who shall sign every instrument to which the seal of the Company is so affixed in his presence.</p>
ACCOUNTS	
ACCOUNTS	<p>118. (a) The company shall keep and maintain such books of accounts and other records as may be required in respect of its (Company's) business, affairs and operations showing all such particulars as may be specified by it.</p> <p>(b) The Board shall, from time to time, determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books of the Company or any of them shall be made available for the inspection of members not being Directors.</p>



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Title of Article	Article number and contents
CAPITALISATION OF RESERVE	<p>(c) No member (not being a Director) shall have any right of inspecting any account of books or documents of the Company except as conferred by law or authorised by the Board or by the Company in general meeting.</p> <p>CAPITALISATION OF PROFITS</p> <p>119. (i) The Company in General Meeting may, upon the recommendation of the Board resolve:-</p> <p>(a) That it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or the credit of the profit and loss account or otherwise available for distribution, and</p> <p>(b) That such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.</p> <p>(ii) The sum aforesaid shall not be paid in cash but shall used, towards-</p> <p>(a) paying up any amounts for the time being unpaid on any shares held by such members respectively.</p> <p>(b) paying up in full, unissued shares or debentures of company to be allotted and distributed credited as fully paid up to and amongst such member in the proportion aforesaid; or</p> <p>(c) partly in the way as specified in sub-clause (i) and partly in that specified in sub- clause (ii)</p> <p>(d) A share premium account and a capital reduction reserve fund may, for the purpose of this regulation only be applied in the paying up of unissued to members of the Company as fully paid bonus shares.</p> <p>(iii) The Board shall give effect to the resolution passed by the Company in pursuance of this resolution.</p> <p>120. Whenever such a resolution as aforesaid has been passed by the Company, the Board shall give effect thereto and it shall:</p> <p>(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issue of fully paid shares or debentures, if any, and</p> <p>(b) do all acts and things required to give effects thereto.</p>
HOW NOTICE TO BE SERVED ON MEMBER	<p>SERVICE OF NOTICES AND DOCUMENTS</p> <p>128. A notice or other document may be given by the Company to any member either personally or by sending by post to him to his registered address or (if he has no registered address in India) to the address, if any within India supplied by him to the Company for the giving of notice to him.</p>

Title of Article	Article number and contents
SERVICE BY POST	<p>129. (i) Where a notice or other document is sent by post:</p> <p>(a) Service there of shall be deemed to be effected by properly addressing prepaying and posting a letter containing the notice or document provided that where a member has intimated to the Company in advance that notice documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due.</p> <p>(b) Such service shall be deemed to have been effected at the expiration of forty-eight hours after the letter containing the notice posted.</p> <p>(ii) If a member has no registered address in India and has not supplied to the Company an address within India for the giving of notice to him a notice advertised in a newspaper circulating in the neighborhood of the registered office of the Company shall be deemed to be duly given to him on the day one which the advertisement appears.</p> <p>(iii) A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first in the register in respect of such share.</p> <p>(iv) A notice may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title or representative of the deceased or assignees of the insolvent or by any like description of the address (if any) in India supplied for the purpose by persons claiming to be so entitled or (until such an address has been so supplied) by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.</p> <p>(v) Any notice required to be given by the Company to the member or any of them and not expressly provided for by these presents shall be sufficiently given by advertisements in a newspaper circulating in the place where the registered office of the Company is situated.</p> <p>(vi) The signature to any notice given by the Company may be written or printed or lithographed or photostat.</p>
RECONSTRUCTION	<p>RECONSTRUCTION</p> <p>130. On any sale of the undertaking of the Company the Board or the Liquidators on a winding-up may, if authorised by a special Resolution, accept fully paid or partly paid-up shares, debentures or securities of any other Company, whether incorporated in India or not either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Board (if the profits of the Company permit) or the Liquidators (in a winding up) may distribute such shares or securities or any other property of the Company amongst the member without realisation or vest the same in trustees for them and any if Special Resolution may provide for the distribution or appropriation of the Cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal rights of the members or contributors of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and contributories shall be bound to accept and shall be bound by any valuation or distribution so authorised</p>



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Title of Article	Article number and contents
SECURITY OBLIGATIONS	<p>and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound up, such statutory rights (if any) under Section 494 of the Act as are incapable of being varied or excluded by these Articles.</p> <p>SECURITY</p> <p>131. Every Director, Manager, Secretary, Trustee of the Company is entitled to enter upon the property of the Company or to inspect or examine any agent, accountant or other person employed in our or about the business of the Company shall, if so required by the Board before entering upon his duties sign a declaration pledging himself to observe a strict secrecy respecting all transactions to the Company with its customers and the State of Accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any meeting or by a court of law and except so far as may be necessary in order to comply with any of the provisions in these Articles contained.</p>
NO MEMBER TO ENTER THE PREMISES OF THE COMPANY WITHOUT PERMISSION	<p>132. (i) No member or other persons (not being a Director) shall be to entitled to enter upon the property of the Company to inspect to examine the premises or properties of the Company without the permission of the Board or, to require discovery of or any information, respecting any detail of the trading of the Company or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in opinion of the Board it will be inexpedient in the interest of the Company to communicate.</p> <p>(ii) Any agreement made under such authority shall be effective and binding on all such members.</p> <p>WINDING UP</p>
DISTRIBUTION OF ASSETS IN SPECIE	<p>133. (i) If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or kind, the whole or any part of the assets of the Company whether they shall consist of property of the same kind or not.</p> <p>(ii) For the purpose aforesaid, the Liquidator may set aside value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the member of different classes of members.</p> <p>(iii) The liquidator may, with the like sanction vest any part of the assets of the Company in trustees upon such trust for the benefit of the contributories as he think fit but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.</p>
INDEMNITY	<p>134. Every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending by proceedings, whether civil or criminal in which judgment is given in his favour or in connection with any application by the Court.</p>

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts, not being contracts entered in the ordinary course of business carried on by our Company, which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus delivered to Registrar of Companies, Rajasthan at Jaipur for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office situated at 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara – 311 025, Rajasthan, India between 10.00 a.m. to 4.00 p.m. on any working day, excluding Saturday and Sunday, from the date of this Red Herring Prospectus until the Issue Closing Date.

MATERIAL CONTRACTS

1. Memorandum of Understanding dated 20.06.05 with UTI Securities Limited, appointing them as the Book Running Lead Manager to this Issue.
2. Memorandum of Understanding dated 22.07.05 with IDBI Capital Market Services Limited appointing them as the Co - Book Running Lead Manager to this Issue.
3. Memorandum of Understanding dated 07.06.2005 signed with Bigshare Services Private Limited, appointing them as Registrar to the Issue.
4. Letter of Appointment dated 05.07.05 of Stratcap Securities (India) Pvt. Ltd. as Advisor to the Issue.
5. Letter of Appointment dated 13.06.05 of M/s. Crawford Bayley & Co., as Legal Advisor to the Issue.
6. Tripartite Agreement dated 09.11.2005 between our Company, Bigshare Services Private Limited and CDSL.
7. Tripartite Agreement dated 24.11.2005 between our Company, Bigshare Services Private Limited and NSDL.
8. Copy of the Resolution dated 31.01.2003 re-appointing Mr. R. L. Nolkha as the Chairman and Managing Director.
9. Copy of the Resolution dated 22.01.2001 re-appointing Mr. Dinesh Nolkha as the Managing Director.
10. Copy of the Resolution dated 31.01.2003 appointing Mr. Nitin Nolkha as the Executive Director.
11. Escrow Agreement dated 16.12.2005 between the Company, the BRLM, the Co-BRLM, the Escrow Banks, and the Registrar to the Issue.
12. Syndicate Agreement dated 16.12.2005 between the Company, the BRLM, the Co-BRLM and the other Members of the Syndicate.
13. Underwriting Agreement dated [•], 2005 between the Company, the BRLM, the Co-BRLM and other Underwriters.

DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of Nitin Spinners Limited.
2. Certificate of Incorporation No. 17-06987 dated 15.10.1992 from the Registrar of Companies, Rajasthan to Nitin Spinners Private Limited and Fresh Certificate of Incorporation consequent upon change of Name to Nitin Spinners Limited dated 15.11.1994.
3. Resolution passed under Section 81(1A) of the Act, at the Extra Ordinary General Meeting of our Company held on 02.06.2005.
4. Resolution Passed by the Board of Directors at their meeting held on 16.04.2005 for the proposed Issue.
5. Consent from the Directors, Compliance Officer, Auditor, Lead Managers, Registrar to the Issue, Bankers to the Issue, Bankers to our Company, Legal Advisor and Tax Consultant to act in their respective capacities.
6. Certificate dated 26.10.2005 from M/s. R. S. Dani & Co., Chartered Accountants and Statutory Auditors of our Company detailing the Tax Benefits.



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7. Auditor's report dated 20.10.2005 included in the Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
 8. Copy of the Auditors Certificate dated 05.12.2005 regarding the sources and deployment of funds as on 30.11.2005.
 9. Copy of Listing Application made to Bombay Stock Exchange Limited (BSE).
 10. Copy of Listing Application made to National Stock Exchange of India Limited (NSE).
 11. Copy of Appraisal Report from IDBI dated 24.05.05.
 12. Copies of sanction letters from IDBI, OBC, PNB, IOB, BOR vide their letters dated 24.05.05, 22.07.05, 16.07.05, 16.07.05, 30.09.05 respectively.
 13. Copy of IDBI's letter dated 1st July, 2005 giving its no-objection for the lock-in of 30,00,000 Equity Shares pledged with it by persons and entities being Promoters and in the Promoter Group, as required by SEBI Guidelines.
 14. Copy of in-principal approval from BSE.
 15. Copy of in-principal approval from NSE.
 16. SEBI observation letter dated October 17, 2005.



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DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government 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 Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS

R. L. Nolkha

Chairman & Managing Director

Dinesh Nolkha

Managing Director

Nitin Nolkha

Executive Director

Bhagwan Ram

Director

Y. R. Shah

Director

Dr. S. K. Sharma

Director

B. P. Singh

IDBI Nominee Director

T. K. Jain

Finance Manager & Company Secretary

Place : Hamirgarh, Bhilwara

Date : December 20, 2005