



TUBEKNIT FASHIONS LIMITED

(Incorporated as Tubeknit Fashions Private Limited on August 30th 1996 at Coimbatore under the Companies Act, 1956 with Incorporation No. 181-7438 and subsequently name changed to Tubeknit Fashions Limited on December 31st 1999)
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OFFER FOR SALE OF 5 20 000 EQUITY SHARES OF FACE VALUE RS 10/- EACH AND PUBLIC ISSUE OF 37 55 000 EQUITY SHARES OF FACE VALUE RS. 10/- EACH FOR CASH AT A PRICE OF RS. [●] AGGREGATING TO RS. [●] LAKHS (HEREINAFTER REFERRED TO AS THE "ISSUE"), INCLUDING EMPLOYEE RESERVATION OF 2 00 000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING TO RS. [●] LAKHS AND NET ISSUE TO THE PUBLIC OF 40 75 000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING TO RS. [●] LAKHS (HEREINAFTER REFERRED TO AS THE "NET ISSUE"). THE FACE VALUE OF THE EQUITY SHARES IS RS. [●]. THE ISSUE WOULD CONSTITUTE 25.03% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND : RS 100 TO RS 120 PER EQUITY SHARE OF RS. 10 EACH

ISSUE PRICE IS 10 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 12 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

This Issue is being made through a 100% Book Building process wherein up to 50% of the net Issue shall be allocated on a proportionate basis to Qualified Institutional Bidders (QIBs), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining shall be available for allocation on proportionate basis to QIBs and Mutual Funds subject to valid bids being received from them at or above the Issue price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the company. The face value of the Equity shares is Rs. 10/- and the Issue Price is [●] times' of face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager ("BRLM") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and this Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the statements in "Risk Factors" beginning on page no x of this Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY



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

IPO GRADING

The Company has opted for IPO Grading. ICRA Limited (ICRA), has assigned "IPO Grade 3" to the proposed initial public offering of the company. For more information on IPO Grading, please refer Page No. 9 of this Red Herring Prospectus.

LISTING

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The Company has received in-principle approval from BSE and NSE, for the listing of Equity Shares pursuant to their letter nos. DCS/SG/SM/2006 dt. 26th September 2006 and NSE/LIST/30297-J dt. September 28, 2006 respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p>SYSTEMATIX CORPORATE SERVICES LIMITED (SEBI Regd. No.: INM 00000 4224) JK Somani Building, 2nd Floor, British Hotel Lane, Fort, Mumbai - 400 001 Tel: +91 22 30288114. Fax: +91 22 22675191 Website:www.systematixgroup.in E-Mail:tkfl@systematixgroup.in Contact Person:Mrs.Bharathi Ponde</p>	 <p>CAMEO CORPORATE SERVICES LIMITED (SEBI Regd. No.: INR 00000 3753) Subramanian Building No 1,Club House Road, Chennai-600 002 Tel:91 44 28460390 Fax:91 44 28460129 Website:www.cameoindia.com E-Mail:cameo@cameoindia.com Contact Person:Mr.R.D.Ramasamy</p>

ISSUE SCHEDULE

BID/ ISSUE OPENS ON : WEDNESDAY, FEBRUARY 21, 2007 **BID/ ISSUE CLOSURES ON : TUESDAY, FEBRUARY 27, 2007**

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SECTION I

DEFINITIONS AND ABBREVIATIONS

Term	Description
"Tubeknit Fashions Limited". "Tubeknit", "our Company", "we", "us" and "our"	Unless the context otherwise requires, refers to, Tubeknit Fashions Limited, a public limited company incorporated under the Companies Act, 1956
Promoter(s)	Unless the context otherwise requires, refers to our core Promoters, Mr. P. Parthasarathi and Mrs. P. Maheswari

Conventional/General Terms

Term	Description
Articles/Articles of Association	Articles of Association of our Company, i.e., Tubeknit Fashions Limited
Auditors	The statutory auditors of our Company, being M/s.D.G. Shah & Co., Chartered Accountants
Board of Directors	The Board of Directors of our Company or a committee thereof
Companies Act	The Companies Act, 1956, as amended from time to time
Director(s)	Director(s) of our Company unless otherwise specified
Equity Shares	Equity Shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999,as amended from time to time and the regulations framed there under.
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year.
FII	Foreign Institutional Investor(as defined under SEBI(Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Indian GAAP	Generally Accepted Accounting Principles in India
Insurance Act	Insurance Act, 1938, as amended from time to time
I.T. Act	The Income Tax Act, 1961, as amended from time to time
I.T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise
Memorandum/Memorandum of Association	The Memorandum of Association of our company
Non-Resident	A person who is not an NRI or 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 under FEMA (Deposit) Regulations, 2000
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
RBI	Reserve Bank of India constituted under the RBI Act
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time
Registered Office of the Company	SF No. 137, Kancheevaram Nallur, Tirupur
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions and clarifications issued by SEBI from time to time

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Issue related Terms and Abbreviations

Term	Description
Allotment/Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue
Banker(s) to this Issue	State bank of India, UTI Bank Limited, ICICI Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, ABN Amro Bank
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid for this Issue
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil 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
Bid/Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper, a Hindi National newspaper and a Tamil newspaper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Issue Period	The period between the Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLM	Book Running Lead Manager to this Issue, in this case being Systematix Corporate Services Limited and Religare Securities Ltd.
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 upper end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off	The Issue Price finalized by the Company in consultation with the BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Coimbatore, Tamil Nadu, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	In this case being the Bombay Stock Exchange Limited



Employee / Employees	All or any of the following: a) A permanent employee of the Company; b) Director of the Company except for the directors who are part of the Promoter group
Employee Reservation Portion	The portion of the Issue being a maximum of 2 00 000 Equity Shares available for allocation to Employees
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders
Escrow Collection Bank (s)	The banks which are registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened, in this case being State bank of India, ICICI bank limited, The HongKong and Shanghai banking Corporation Limited, UTI Bank Limited and ABN Amro Bank
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	The issue of 42 75 000 Equity Shares of Rs. 10/- each fully paid up at the Issue Price aggregating to Rs. [•] Lakhs.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Issue	The net issue of 40 75 000 Equity shares of Rs. 10/- each fully paid up at the Issue Price aggregating to Rs. [.] lakhs
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 at least 15% of the Net Issue i.e. 6 11 250 Equity Shares of Rs. 10/- each aggregating to Rs. [.] Lakhs 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
Price Band	Being the price band of a minimum price ("Floor Price") of Rs. 100 and the maximum price ("Cap Price") of Rs.120 and includes revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIs, registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital

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	funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with IRDA, provident funds with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs
QIB Portion	The portion of this Issue being a minimum of 50% of the Net Issue, i.e. 20 37 500 Equity Shares of Rs, 10 each aggregating to Rs. [.] Lakhs available for allocation to QIBs, of which 5% shall be reserved for Mutual Funds
Red Herring Prospectus	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 offered and size of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Coimbatore, TamilNadu, after pricing and allocation
Registrar/Registrar to this Issue	Cameo Corporate Services Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than or equal to Rs. 1 00 000 in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being at least 35% of the Net Issue i.e. 15 48 500 Equity shares of Rs. 10 each, aggregating to Rs. [.] Lakhs available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of the Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time
Stock Exchanges	Bombay Stock Exchange Limited and the National Stock Exchange of India Limited
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Member	Intermediaries registered with SEBI and eligible to act as underwriters, Syndicate Member is appointed by the BRLM
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The Agreement among the underwriters and the Company to be entered into on or after the Pricing Date

Company/Industry-related terms

Term	Description
ATC	Agreement on Textile and Clothing
CAD	Computer Aided Designing
CAT 340	Quota Category to Export men's cotton shirt to USA
ERP	Enterprise Resource Planning
GATT	General Agreement on Tariff and Trade
Gold Seal Sample	Approved sample garment to be referred while manufacturing the garments at the factory
ISD	Information System Department
LTA	Long Trade Agreement



MBO	Multi Brand Outlets
MFA	Multi Fibre Agreement
NSC	National Store Chain
PPM	Pre Production Meeting
QA	Quality Assurance
SIMA	South India Mills Association
TUFS	Technology Upgradation Fund Scheme
WGSN	Worth Global Style Network
WTO	World Trade Organisation

Abbreviations

Abbreviation	Full Form
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
BG/LC	Bank Guarantee / Letter of Credit
CAGR	Compounded Annual Growth Rate
CV	Coefficient of Variation.
CDSL	Central Depository Services Limited
ECGC	Export Credit Guarantee Corporation of India Limited
ECS	Electronic Clearing System
EGM	Extra Ordinary General Meeting
EPS	Earnings Per Equity Share
ESOP	Employee Stock Option Plan
FIs	Financial Institutions
FY / Fiscal	A period of twelve months ending March 31
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GOI/Government	Government of India
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India
IPO	Initial Public Offer
INR	Indian Rupees, the legal currency of the Republic of India
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P/E ratio	Price/Earnings Ratio
PAN	Permanent Account Number

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RBI	Reserve Bank of India
ROC	Registrar of Companies, Coimbatore, Tamilnadu
RONW	Return on Net worth
Rs./Rupees	Indian Rupees, the legal currency of the Republic of India
SCSL	Systematix Corporate Services Limited
SEBI	Securities and Exchange Board of India
T&C	Textile & Clothing
USD/\$/US\$	United States Dollar being the legal currency of the United States of America
UIN	Unique Identification Number issued in terms of SEBI(Central Database of Market Participants) Regulations, 2003



SECTION II – RISK FACTORS

CERTAIN CONVENTIONS: USE OF MARKET DATA

In this Red Herring Prospectus, the terms “TUBEKNIT FASHIONS LIMITED”, “our Company”, “we”, “us” and “our”, unless the context otherwise indicates or implies, refers to TUBEKNIT FASHIONS LIMITED, a public limited company incorporated under the Companies Act.

In this Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender.

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, disclosed in the section titled “Financial Information”. Our fiscal year commences on April 1 and ends on March 31. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in the Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the 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.

For additional definitions used in this Red Herring Prospectus, see the section titled “Definitions and Abbreviations” on page no.i of this Red Herring Prospectus. In the section titled “Main provisions of Articles of Association of our Company on page no. 133 of this Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

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

All references to “India” contained in this Red Herring Prospectus are to the Republic of India, all references to the “US” or the “U.S.” or the “USA”, or the “United States” are to the United States of America and all references to “UK” are to the United Kingdom.

CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of the Republic of India. Through out the sections on “Financial Information”, ‘Summary of Financial Information’ and ‘Management’s Discussion and Analysis of Financial Condition and Results of Operation’ in the Red Herring Prospectus figures have been expressed in Lakhs. The term ‘Lakhs’ means ‘One Hundred Thousand’.

Any percentage amounts, as set forth in “Risk Factors”, “Our Business” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” in the Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP. In the Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

The exchange rates used for the purpose of converting US Dollars into Indian Rupees in this Red Herring Prospectus is USD 1.00 = Rs. 45.09 and Euro 1.00 = Rs. 55.75 and Japanese Yen 1.00 = Rs. 0.38 as per the Reserve Bank of India reference rate on 20.04.2006.



FORWARD-LOOKING STATEMENTS

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

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, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest 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 the industry.

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

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch various projects for which funds are being raised through this Issue;
- Prices of raw materials we consume and the products we produce.
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any time due to strike or labour unrest.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on x 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 the Company nor the Syndicate Members, 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, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in 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 Company's 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 part of your investment.

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

INTERNAL TO THE COMPANY

Our Company is generating 76% of export revenues from 10 number of buyers for Garment business. If order flow from these buyers slow down, then that would affect our revenues and profitability

We have derived substantial portion of revenues from a limited number of clients. There are number of factors other than our performance which may not be predictable that could cause the loss of the client. Any significant reduction in demand for our product from our key clients, any requirement to lower the prices offered to these clients or any loss or financial difficulties caused to any of these clients would have a material adverse effect on our business, result of operations, financial conditions and cash flow.

Our company is operating in highly competitive environment

Removal of quota system with effect from January 1, 2005 has created tremendous competition in the textile industry and the dynamics of industry are also changing, consequent to such structural changes. This has resulted in stiff competition from domestic as well as global players. In such a competitive environment we may face pressures from overseas buyers such as delivery period, pricing, order size, product quality etc. Such pressures may put strain on our profit margins. For details of Competition, refer page 58 of this Red Heiring Prospectus.

Our Company is exporting 86% of our total exports to European countries.

We have exporting 86% of our total sales to European countries. Any change in the import policies of European market may affect our revenues and profitability.

Our ability to export garments, especially to the European countries and The United States, may be adversely affected by the imposition of, or increase in the rate of, anti-subsidy and anti-dumping duties

Our current ability to export garment to European Union and USA without imposition of anti-dumping duties gives us an advantage over those of our competitors who are liable to pay anti-dumping duties. Any change in the duty structure that reduces our relative advantage vis-à-vis such competitors could result in our exports to European Union and USA, and therefore our revenue, being adversely affected.

For requirement of our major raw material-yarn, we are dependent on external suppliers, the cost of yarn constitutes 35% of the total cost of raw material, the largest component of our cost

We are dependent on external suppliers for procurement of yarn, the main raw material for fabric Knitting. If we fail to get the required type and quality of yarn at the desired time it may delay our schedule of manufacture of Knitted fabric and garments, which may have adverse impact on our business.

Further, prices of yarn depend upon global demand-supply scenario. If demand outstrips supply, there is significant up-move in prices of yarn, making our cost of production dearer. If we fail to pass over the increase in cost of inputs, it may have an adverse impact on our profit margins.

Our buyers prescribe various standards which we are required to comply with and they conduct regular checks

Most of our exports are to customers in the Europe, United Kingdom, United States of America where they have strict environmental, manufacturing, employee and other legislations which govern their sourcing of equipments from third world countries. Any non-compliance on our behalf with respect to such customer requirements and



dissatisfaction by customers during their checks can lead to loss of customers and thus result in losses and affect our future results of operation.

Extent to which Business is seasonal

In the Garment business of our Company, the range of products changes according to the season. Therefore the business of the Company is seasonal to that extent.

Our success depends largely on our ability to attract and retain our talented professionals

Our success depends on the continued services and performance of the members of the Management team and other key employees. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in future. Any inability on our part to attract and retain talented professionals or key management personnel may adversely affect our business and result of operations.

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

Our principal manufacturing facilities at Tirupur are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. We carry out planned shutdowns of our plants for maintenance.

Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

Most of our facilities are geographically located in one area

We are a Tirupur based company with all our factories and offices based in and around Tirupur. As a result, if there is any localized social unrest, natural disaster or breakdown of services and utilities in Tirupur, it may affect our business adversely.

The Promoters will collectively own around 73.73% of equity shares in the company post listing and will continue to control and exercise substantial influence over our company. Their interest may conflict with your interest as a shareholder

Post listing our Promoters will hold around 73.73% in the paid up equity capital of the Company. As a result, our Promoters will have the ability to exercise significant influence over the decisions of the company, as they will be able to determine the outcome of all actions requiring the approval of the shareholders or / and our Board. The interests of our Promoters may conflict with interests of our other investors, and you may not agree with the manner in which they exercise their powers of management or voting rights.

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

Advancement in technology may require us to make additional capital expenditure for upgrading our manufacturing facilities or may make our competitors plants more competitive. If we are not able to respond to such technological advancement well in time, we may lose our competitiveness.

We have made applications to various authorities for renewing our licenses and we have not obtained the renewal.

Tamilnadu Pollution Control Board has given consent for the discharge of sewage and / trade effluent for maximum

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daily discharge of 1000 litres on sewage and 500000 litres on trade effluent on daily basis. The consent was valid for a period ending March 31, 1991. The renewal application has been filed by the Company every year with required fee till March 2006. The company has not received any consent from Tamilnadu Pollution Control Board after 31st March 1991. However, as per the instruction of Tamilnadu Pollution Control Board, the Company has installed zero discharge and salt recovery unit. Mohan Committed appointed by The Honourable High Court of Madras has also verified and given a report for installation of zero discharge and salt recovery unit. There will not be any financial and legal implication on the company for continuing operation in the absence of such consent. There will not be any impact on the company on the non-receipt of renewal licence.

Covenants with lenders may restrict our Operations, Our capacity to expand, distribute, dividends etc.

Certain covenants in our financing agreements require us to obtain approval from the financial institutions inter alia before undertaking new projects or expansion of the existing facilities, making any new investments, issuing new security (debt or equity) including shares being issued in this Issue, making changes to our capital structure, distributing dividends to our shareholders. For details see section titled "Capital Structure" on page 12 of this Red Herring Prospectus.

Some of the ventures of Promoters have incurred losses.

Some of the ventures of Promoters have incurred losses in the recent years. The details of ventures which have incurred losses in any financial year during the last 3 financial years as follows:

Profits/(Losses) for the year ended March 31
(In Lakhs)

Name of the Venture	2006	2005	2004
Tubetex International	(0.14)	141	14.47
Tubetex Wave	(1.73)	(15.59)	29.81
Reliance Textile Processing	NIL	(2.20)	(9.61)

Foreign Currency Risk

Approximately 80% of revenue is from export of apparels. The foreign currencies involved are USD, Euro and Japanese Yen. Since our buyers compare our product with that of our competitor in USD denominated rate, appreciation of India Rupee vis-à-vis USD would weaken our competitive position.

Further, for the expansion project we are proposing to import 75% of the machinery which would have foreign currency price fluctuation. The company has not done any hedging measure to address the forex fluctuation risks.

Export Obligations

For the expansion project, 75% of the machinery is proposed to be imported.

As per the Export Promotion Capital Goods Scheme, to avail 5% customs duty the company has an export obligation equivalent to 8 times of duty saved on capital goods imported under EPCG Scheme to be fulfilled over a period of 8 years reckoned from the date of issuance of authorization. Approximately, the company imports Rs. 40 Crores of Capital Goods and it will have an export obligation of Rs. 200 Crores to be fulfilled over a period of 8 years.

Any failure on our Part to meet our contingent liabilities could adversely affect our financial Position.

The contingent liabilities of our company as on December 31st 2006 is in terms of counter guarantee given to banks, letter of credit opened with banks and foreign bills discounted with banks pending realization amounting to Rs. 1364.62 lakhs.

The Company has taken Export Turnover Policy with ECGC and any of these liabilities materialize it will be compensated by ECGC. Similarly, the bank has also taken ECGC cover for the Company as whole.



Outstanding Litigations

There are no outstanding litigations against our company, our directors, our promoters and our Promoter Group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks / financial institutions, arrears on cumulative preference shares issued by our company, defaults in creation of full security as per terms of issue / other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our company, our Subsidiary, our Directors and our Promoters, except the following:

A. Cases filed against our company

There are no litigation pending against our company.

B. Cases filed by us

There are no cases filed by the company against others

C. Outstanding Litigations of the Promoter

1. M/s. Vijaya Bank Vs. Mr. P. Parthasarathi

Vijaya Bank, a body corporate constituted under Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980 has filed a case before the Debt Recovery Tribunal for a claim of Rs 233.89 Lakhs on M/S Sree Sankuchakkara Mills Limited as a First defendant and Mr.P.Parthasarathi as Director of the said company and as a Director in the Individual capacity.

A Personal guarantee has been executed by Mr.P.Parthasarathi to Vijaya Bank in his Personal Capacity and the Company is not in any way directly or indirectly connected with the same.

D. Litigations involving our group companies

There are no cases filed by or against any of our group companies till date.

E. Litigation involving our Promoters and Directors

There are no cases filed by or against any of our Promoter or Director till date other than those stated above in Outstanding Litigations of the Promoter. The Promoters and directors have not defaulted in any loan payments.

Risk in relation to new projects

We are expanding our capacity without client agreement in place to utilize this capacity.

We are increasing our garment manufacturing capacity from 38000 pieces per day to 78000 pieces per day. We do not have client contracts in place to utilize this expanded capacity. If we are unsuccessful in increasing the demand for our product to match our increased capacity, our expenses will increase as a percentage of our revenues which may have an adverse effect on our results of operation and cash flows.

Delay or Non-receipt of regulatory approvals may delay the Expansion project.

We are required to obtain licenses/permissions/consents for the Expansion Project. We are yet to apply for necessary licenses/permissions/consents for the Expansion Project. Delay in receipt of such approvals may adversely affect our business.

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

We have estimated our total fund requirement internally and the project has not been appraised by any bank / financial institution. Deployment of funds towards this project is also at our discretion and is not subject to monitoring by any independent agency.

We have not placed orders or entered into agreements for substantial portion of our planned investments from the net proceeds of the issue

We are yet to place orders for plant and machinery amounting to Rs. 5558.51 Lakhs of the estimated cost of the machinery. For some machineries we are yet to receive quotation and the cost estimates are based on the management estimates. Please refer to the section titled "Objects of the issue" beginning on the page 18 of the Red

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Herring Prospectus for details of Proposed capital expenditure on Plant & Machinery. Pending any use of the proceeds of the issue, we intend to invest the funds in liquid instruments. We intend to rely on our internal systems and controls to monitor the use of the proceeds.

Delay in raising funds from this Public Issue resulted in delay in the schedule of implementation of the Project.

In the schedule of implementation, the Project Commencement Date and Completion Date was fixed based on raising funds from this Public Issue. Since there was delay in raising funds from this Public Issue there was delay in implementation of the Project.

EXTERNAL TO THE COMPANY

There may be changes in the regulatory framework that could adversely affect us.

The statutory and regulatory framework for the Indian fashion industry may see changes in the next few years. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion on the regulatory framework of the textile industry in India, see the section titled 'Regulations and Policies' on page 61 of this Red Herring Prospectus.

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

All our facilities and other assets are located in India and most of our officers and Directors are resident in India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India.

India has also witnessed civil disturbances in recent years. While these civil disturbances did not directly affect our operations, it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.

You will not receive the Equity Shares you purchase in this Issue until several days after you pay for them, which will subject you to market risk.

The Equity Shares you purchase in this Issue will not be credited to your demat account with depository participants until approximately 15 working days from the Bid/ Issue Closing Date. You can start trading your Equity Shares only after receipt of listing and trading approvals in respect of these Equity Shares which will require additional time after the credit of Equity Shares into your demat accounts. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time periods specified above. However, the Company will pay interest of 15% for delays beyond 15 days.

An active market for the Equity Shares may not develop which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.

The Equity Shares are new issues of securities for which there is currently no trading market. Applications have been made to the BSE and NSE for the Equity Shares to be admitted to trading on the BSE and NSE. No assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

The market value of the Equity Shares may fluctuate due to the volatility of the securities markets.

The securities markets are volatile and stock exchanges have in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges have experienced problems, which, if these were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included broker defaults and settlement delays. In addition, the governing bodies of the various Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations



on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on the market sentiment.

Shareholders will bear the risk of fluctuation in the price of Equity Shares.

The market price of the Equity Shares may be affected by fluctuations in the share markets and it is impossible to predict whether the price of the Equity Shares will rise or fall. Trading prices of the Equity Shares will be influenced by, among other things, our financial position, the results of operations and political, economic, financial and other factors.

Future issues or sales of our Equity Shares may significantly affect the trading price of our Equity Shares.

Future issue of Equity Shares /convertible instruments by us or the disposal of Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect trading price of our Equity Shares.

Political instability or changes in the Government in India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Any significant change in India's economic liberalization and deregulation prices could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

Risk associated with slowdown of economy in a country to whom we undertake export

Any slow down of economy of the countries where we export our garments may have a negative impact on the spending power of the consumers, thereby reducing their spend on fashion and lifestyle products. Such slowdown may have an adverse impact on the export earnings.

Risks associated with location

There is also a darker side to Tirupur. Amidst the prosperity that has befallen this textile town, many ills afflict it. These include potholed roads, acute shortage of water, environmental pollution and virtually non-external sewage systems.

The discharge of salts in effluent from the dyeing factories in Tirupur has led to large-scale environmental degradation.

Going by the current level of capacity expansion happening in the garment production units in Tirupur, the annual demand for skilled workers, the garment units in Tirupur on expansion mode are compelled to look for training of workers rather seriously.

Risks associated with International Market

The opening of the international markets has thrown a host of opportunities with new markets opening up, each with its own unique set of challenges. The Company also is now exporting larger volumes which are converted within India. The margins, though, are under pressure due to severe competition from other countries.

The Company will continue to stress on improved quality standards, reducing lead-time in supplying orders, competitive pricing of products and more stress on product innovation and designing to meet the new set of challenges. The competition will not only intensify in the international markets but also in the domestic markets. Further, the developed countries may increasingly resort to protectionist measures to protect their domestic textile & clothing industry, which has been severely impacted by the import of low cost good quality products from countries like China and India.

Inflow into India of spurious fabric material, counterfeit, fake and misleading selvedge descriptions continues. However, recognizing the threat these spurious imports pose if continued unchecked, recently the Government has issued a fresh notification providing for confiscation of such material. Further strengthening of the rupee will also impact export realizations. Rising oil prices could feed through to higher input prices.

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Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business

There have been instances of terrorist attacks in many parts of the world and also in India in the recent past. Any recurrence of such events or other acts of violence / war may negatively affect the Indian capital market and may also adversely affect performance of our scrip in the stock exchanges. These acts may also result in a loss of business confidence.

Any recurrence of events of terrorist attacks or other acts of violence may adversely impact the desire of corporate executives to travel to India for business purposes and thereby adversely impacting business prospects. These uncertainties make it difficult for us and our customers to accurately plan future business activities.

Natural disasters could disrupt our operations and result in loss of revenues and increased costs

Our plans are vulnerable to natural disasters such as explosions, earthquakes, storms and floods. The occurrence of natural disaster, or other accidents could disrupt the operations of our plant and result in loss of revenues and increased costs.

Notes to Risk Factors

1. Offer for Sale of 5 20 000 Equity Shares of Rs 10 each and Public Issue of 37 55 000 Equity Shares of Rs. 10 each at a price of Rs.[.] for cash aggregating to Rs.[.] Lakhs (hereinafter referred to as “this Issue”).
2. The net worth of our Company as on March 31, 2006 is Rs. 2944.10 Lakhs and as on December 31st, 2006 is Rs. 3566.31 lakhs.
3. The average cost of acquisition of Equity Shares by our Promoters, is Rs.0.20 Paisa per equity share respectively.
4. Book value of the Equity Shares of our Company as on March 31, 2006 is Rs. 23.52 per Equity Share and as on December 31st, 2006 is Rs. 28.48 per Equity Share.
5. The aggregate value of the related party transactions was Rs. (141.83) lakhs, Rs. (141.01) lakhs and Rs.(162.04) lakhs for the years ended March 31, 2004, March 31, 2005 and March 31, 2006 respectively. For details on Related Party Transactions refer to the section titled “Related Party Transactions” on page 74 of this Red Herring Prospectus.
6. Investors are free to contact the BRLM for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLM, please refer to the cover page of this Red Herring Prospectus.
7. All information shall be made available by the BRLM and the Company, 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.
8. Investors are advised to refer the paragraph on “Basis of Issue Price” on page no. 37 of this Red Herring Prospectus before making an investment in this Issue.
9. The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), of which 5% shall be reserved for Mutual Funds. Further, at least 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
10. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders and Non-Institutional Bidders (Refer to the section titled “Issue Procedure” on page 114 of this Red Herring Prospectus).

SECTION III: INTRODUCTION

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on “Risk Factors” and the section titled “Financial Statements” and related notes beginning on page 76 of this Red Herring Prospectus before deciding to invest on our Equity Shares.

Overview

Our company has an integrated manufacturing setup in Tirupur which enables the company to undertake all the activities in manufacturing process in-house. Our company has been one of the leading exporters of hosiery garments for about two decades. It was set up as a partnership firm In 1988. It was reconstituted as a private limited company in 1996 and converted into a public limited company in 1999. Our Company's turnover has increased from Rs. 1764 lakhs in the year 1998 to Rs. 15582.61 Lakhs in the year 2006 and has developed a fully integrated vertical setup. We cater to the demand of leading International brands. We have over last two decades grown to a separate garment unit, knitting unit and stitching unit covering totally 1 39 000 sq.ft. employing 1089 employees directly. Our Company has got twelve Satellite Units who work only for our company order, covering totally 78500 sq.ft. employing over 1200 employees.

Presently, we derive almost the entire revenue from export of knitted garments. Our company has over two decades of experience in this business, mainly European Union, where it has earned a niche for itself by focusing on the high style garments. Our manufacturing facilities are spread across 4 locations, in and around Tirupur fully backed up by the facilities for product development, design studio and efficient sampling infrastructure to provide quality service to customers.

The company over a period of time, expanded its capacity to 38,000 pieces per day, which has enabled it to become one of the largest exporter of knitted garments in Tirupur.

Our Strengths

Experience of our promoters:

Our promoters have adequate experience in the textile industry and we have successfully implemented expansion project earlier. We also have adequate technical and managerial personnel to handle implementation of the proposed expansion project.

Experienced Team with Industry specific knowledge

Our extensive experience in designing, sourcing, marketing and merchandising allow us to deliver end to end solution and effectively addressing customer product requirements. Our design team supported by our marketing and sourcing team is able to meet challenges client specific design requirement.

Integrated manufacturing facility supplemented by judicious outsourcing enables keeping costs under control

Our company has an integrated manufacturing setup which enables the company to undertake all the activities in the manufacturing process in house. Our company procures yarn as raw material, and the manufacturing process starts with knitting of yarns followed by dyeing, compacting, printing, embroidery, cutting, stitching, button works, finishing and packing. Although our company has integrated manufacturing setup, it also resorts to some outsourcing especially for labour intensive activities, in order to have control over the overheads. The company has developed 12 satellite units which are managed by either the existing employees or ex-employees. These units work exclusively for our company.

Diversified customer base with concentration on the EU market

The knitted garments manufactured by our company caters to various segments which may be categorized in terms of age (babies /toddlers / youngsters / adults etc.), sex and usage (casual, sports wear, sweat shirts, pullovers etc.) Our company manufactures all these categories across the age groups from babies to adults.

Delivery capabilities

We believe that timely delivery is most important factor, as garment industry face high fashion risk. Our ability to provide end to end solution from design to delivery supported by global sourcing capabilities and owned manufacturing and processing facilities, allows us to consistently deliver on time, maintain a high level of client satisfaction.

Quality Assurance

Each of the company products passes through stringent quality checks. The Quality assurance measures taken by the company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical

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methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer.

Strong customer base

We continuously receive repeat orders from all our customers. The customer trust has been built on the foundation of our commitment to our quality, providing end to end solution to design, delivery and good human resource practices. Our relationship with key customers span over last 8 to 10 years. Our top 5 customers have remained with us and have consistently increased their business requirement. Sales of our company have grown up at a CAGR of 23.40% over the period 1999-2004 reflecting the acceptance of company garments by the customers.

Our Strategy

Expansion of Business

We intend to expand strengthen and consolidate our current position in the global market. We propose to expand our product range and increase product reach in the international out-sourced garment business.

Backward integration of our manufacturing process

We are into the manufacture of knitted garments. Presently, we do not have facilities for manufacturing of yarn as it is one of our major raw material. Absence of yarn manufacturing facilities requires us to purchase yarn from outsiders. Our strategy is to have in-house facilities for these activities so that we become self-dependent and competitive in terms of turnover, time and quality.

Continued focus on innovative design

Being in the high style segment, the international garment market is characterized by shorter life cycle of design with styles changing from season to season. We have fully equipped facilities to come out with innovative design which make our garments more a fashion product than a commodity products and thus proving better in terms of price realization. Our strategy is to further improve on design development.

Further widening of our customer base

With proposed expansion of garment capacities and growing opportunities available in the post quota region, we intend to continue to grow our business by adding new customers in the existing and new geographies, new market segments. We are looking towards expanding customer base in Europe and United States of America.

Brand building in domestic market

We intend to invest in developing and enhancing recognition of our brands, through brand building efforts, communication and promotional initiatives such as advertisements in print media, hoardings, televisions, organizing events, participation in industry events, public relations and investor relations efforts.

THE ISSUE

Equity Shares offered: Issue by the company	Offer for sale of 5 20 000 Equity Shares of face value of Rs. 10 each and public issue of 37 55 000 Equity Shares of face value of Rs. 10 each aggregating to Rs. [●] Lakhs
Less Employees Reservation Portion	2 00 000 Equity Shares of face value of Rs. 10 each aggregating to Rs. [●] Lakhs
Net Issue to the Public	40 75 000 Equity Shares of face value of Rs. 10 each aggregating to Rs. [●] Lakhs
Of which	
A) Qualified Institutional Buyers portion (QIBs)	Upto 20 37 500 Equity Shares of face value of Rs. 10/- each aggregating to [●] Lakhs constituting at the minimum 50% of the Issue (Allocation on a proportionate basis, of which 5% shall be reserved for Mutual Funds)
B) Non-Institutional Portion	At least 6 11 250 Equity shares of face value of Rs. 10 aggregating to Rs. [●] Lakhs constituting at least 15% of the issue (Allocation on a proportionate basis)
C) Retail Portion	At least 14 26 250 Equity shares of face value of Rs. 10/- aggregating to Rs. [●] Lakhs constituting at least 35% of the Issue (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	1 25 20 000 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after to the Issue	1 62 75 000 Equity Shares of face value of Rs. 10 each
Use of Issue proceeds	Please refer to section titled "Objects of the Issue" on page no. 18 of this Red Herring Prospectus for additional information

Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.

Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLM

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SUMMARY FINANCIAL DATA

The statutory financial statements of the Company prepared in accordance with Indian GAAP for the Financial Years ended March 31, 2002, 2003, 2004, 2005, 2006 and 9 months period ended December 2006. The financial statements were audited and certified by M/s. D.G. Shah & Co., Chartered Accountants.

Statement of Profits and Losses

SI No	Particulars	Period / Year ended					
		31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A	INCOME						
	Sales of Products						
	Export Sales	7261.63	11535.15	8617.59	7052.35	4755.66	4432.19
	Domestic Sales	1447.94	1529.08	1286.72	59.89	686.05	808.68
	Variance in Stock - Increase or (Decrease)	(117.24)	301.88	131.99	(213.45)	438.50	106.52
	Total	8592.33	13366.11	10036.30	6898.79	5880.21	5347.39
	Other Income	1524.64	2216.50	2198.74	2184.20	1276.71	1205.80
	Total	10116.97	15582.61	12235.04	9082.99	7156.92	6553.19
B	EXPENDITURE						
	Raw Materials consumed	5561.96	8608.69	7420.87	5253.48	4035.31	3541.31
	Manufacturing Expenses	1693.46	2923.76	2232.00	1753.91	1514.82	1491.84
	Administrative, Selling & Distribution Expenses	1131.12	1712.38	1247.67	1074.40	869.49	671.35
	Finance Cost	409.18	655.98	501.93	389.51	315.26	366.39
	Preoperative Expenses written off	4.59	6.12	5.87	5.87	3.83	3.83
	Total	8800.31	13906.93	11408.34	8477.17	6738.71	6074.72
	Net Profit Before Depreciation, Tax &						
	Extraordinary Items	1316.66	1675.68	826.70	605.82	418.21	478.47
	Less: Depreciation	366.36	413.33	447.18	278.05	254.43	289.26
	Net Profit before Tax &						
	Extraordinary Items	950.30	1262.35	379.52	327.77	163.78	189.21
	Less: Taxation						
	Provision for Current Tax	320.00	350.00	17.50			
	Provision for Fringe Benefit Tax	5.00	6.75				
	Deferred Tax Liabilities	(13.27)	21.33	137.31	163.19	24.33	
	Deferred Tax Assets	15.11	(61.80)	(58.88)	(7.19)	(0.72)	
	Provision for Proposed Dividend - Pref. Shares	NIL	46.80	46.80	46.80	46.80	46.80
	Provision for Dividend Tax	NIL	6.56	6.12	6.00	6.00	
	Net Profit before Extraordinary Items	623.46	892.71	230.67	118.97	87.37	142.41
	Extraordinary Items	0.32		0.30	2.98		
	Net Profit after Extraordinary Items	623.78	892.71	230.97	121.95	87.37	142.41
	Impact on account of adjustments required By paragraph 6.18.7 (b) of Changes VI of the Guidelines (Refer Note II (6))	NIL	81.66	(81.66)			

Sl No	Particulars	Period / Year ended					
		31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Profit available for Appropriation	623.78	974.37	149.31	121.95	87.37	142.41
	Accumulated Profits from Previous Years	1286.29	768.30	704.77	664.44	715.86	1178.45
	Less: Appropriations						
	Opening Deferred Tax Liabilities					134.84	
	Opening Deferred tax asset					(1.05)	
	Provision for Proposed Dividend - Equity Shares		62.60	62.60	62.60		
	Provision for Dividend Tax		8.78	8.18	8.02		
	Transfer to General Reserve		25.00	15.00	11.00	5.00	5.00
	Amount utilised for Bonus Issue						600.00
	Capital Redemption Reserve		360.00				
	Balance Carried to Statement of Assets and Liabilities	1910.07	1286.29	768.30	704.77	664.44	715.86

Statement of Assets and Liabilities

(Rs. in Lakhs)

Sl No	Particulars	Period / Year ended					
		31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A	FIXED ASSETS						
	Gross Block	6430.90	5951.05	4951.22	4554.52	3721.30	2838.74
	Less: Depreciation	2472.53	2106.25	1692.92	1246.74	990.14	735.71
	Net Block	3958.37	3844.80	3258.30	3307.78	2731.16	2103.03
B	INVESTMENTS	20.00	10.00				
C	CURRENT ASSETS, LOANS AND ADVANCES						
	Inventories	3584.52	3244.84	2895.40	2587.82	2505.69	1929.11
	Sundry Debtors	675.63	717.14	887.38	755.10	1314.37	1397.21
	Cash & Bank Balances	598.01	454.02	292.94	325.38	309.21	136.45
	Loans & Advances	2243.49	1321.73	740.45	711.17	779.78	563.31
		7101.65	5737.73	4816.17	4379.47	4909.05	4026.08
D	DEFERRED TAX ASSETS	114.52	129.64	67.83	8.96	1.77	0.00
E	LIABILITES AND PROVISIONS						
	Secured Loans	5227.48	4417.68	3628.74	3594.67	3767.85	2953.86
	Unsecured Loans	NIL	3.51	11.42	8.80	4.57	19.29
	Current Liabilities and Provisions	1933.03	1875.88	1646.70	1459.04	1446.05	849.05
	Deferred Tax Liability	467.72	481.00	459.67	322.36	159.17	NIL
		7628.23	6778.07	5746.53	5384.87	5377.64	3822.20
F	NETWORTH	3566.31	2944.10	2395.77	2311.34	2264.34	2306.91
G	REPRESENTED BY						
	Share Capital	1252.00	1252.00	1612.00	1612.00	1612.00	1612.00
	Reserves & Surplus	2336.07	1712.29	809.31	730.76	679.44	725.85
	TOTAL	3588.07	2964.29	2421.31	2342.76	2291.44	2337.85
H	MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED	21.76	20.19	25.54	31.42	27.10	30.94
I	NETWORTH [(G-H)]	3566.31	2944.10	2395.77	2311.34	2264.34	2306.91

TUBEKNIT FASHIONS LIMITED

GENERAL INFORMATION

Registered & Corporate Office of our Company

Tubeknit Fashions Limited
SF No 137 Kancheevaram Nallur,
Tirupur - 641606
Tel.: +91 421 3983333
Fax: +91 421 3983555

Registration Number:

Our Company is registered with the Registrar of Companies, Tamil Nadu situated at Coimbatore. Corporate Identity number of the Company : U18101TZ1996PLC007438

Board of Directors

Mr. P. Parthasarathi - Managing Director
Mrs.P. Maheswari - Director
Mr.R. Gopalswamy - Director
Mr. S. Murugan - Director
Mr. Udhayakumar - Independent Director
Mr. R. Ravichandran - Independent Director
Mr. A. Srinivasan - Independent Director
Mr. PR. Arunachalam - Independent Director

Mr. P. Parthasarathi Managing Director

Mr. P. Parthasarathi, son of P.Palaniappa Chettiar, aged 55 Years is B.Tech Chemical engineer from Madras University. He has experience in modern dyeing and garment industry. He takes care of business development and marketing functions and Keeps track of fashion trends and technology scenario. He is also an Executive Committee member in Tirupur Exporters Association, a organization which works for the welfare of Knit garment industry in Tirupur. He is Chairman & Managing director of our Company

Mrs. P. Maheswari, Director

Mrs. P.Maheswari, wife of P.Parthasarathi aged 48 years is a Post graduate in statistics. She has 10 years experience in the administration of knitted garment Industry.She takes care of finance and human resource functions.

Mr. S. Murugan, Whole-time Director

Mr. S. Murugan, aged 48 years, is the Whole-Time Director of our Company is a Post-Graduate Degree Holder in Management from University of Madras. He has 25 years of experience in marketing and advertising. He joined Tube knit Fashions Limited in the year 2001 as General Manager Operations. He was inducted in to the board as Director in the Year 2003. He was working as General Manager in a Spinning Mill in Salem before joining our Company.

Company Secretary

Mr.M. Srinivasan
Tubeknit Fashions Limited
SF No 137 Kancheevaram Nallur,
Tirupur:641606
Tel: +91 421 3983333
Fax: +91 4213983555
Email: msrinivasan@tubeknitfashions.com

Compliance Officer

Mr.S. Murugan
Tubeknit Fashions Limited
SF No 137 Kancheevaram Nallur,
Tirupur:641606
Tel: +91 421 3983333
Fax: +91 421 3983555
Email: investor@tubeknitfashions.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

Legal Advisors to the Company

Mr.P.H. Arvinth Pandian

New No 115, First Floor,
Luz Church Road,
Mylapore, Chennai-600 004
Tel: +91 44 55291959 Fax: +91 44 24995060
Email: bharathypandian@vsnl.net

Legal Advisors to the Issue

Mr.P.H.Arvinth Pandian

New No 115, First Floor,
Luz Church Road, Mylapore, Chennai-600 004
Tel: +91 44 55291959 Fax: +91 44 24995060
Email: bharathypandian@vsnl.net

Bankers to the Company

State bank Of India
Overseas Branch
No 13& 13-1, Munsif Srinivasapuram
Uthukuli Road, Tirupur-641 601
Tel:91 421 2201762 Fax:91 421 2202862
E-Mail:sbi.07023@sbi.co.in

Book Running Lead Manager (BRLM)

SYSTEMATIX CORPORATE SERVICES LIMITED
(SEBI Regd. No.: INM 00000 4224)
JK Somani Building, 2nd Floor
British Hotel Lane, Fort, Mumbai-400 001
Tel: 91 22 30288114 Fax: +91 22 22675191.
E-Mail: scslch@vsnl.com
Contact Person:Mrs Bharathi Ponde
Web site:www.systematixgroup.in

Religare Securities Limited
(SEBI Regd No:INM 000011062)
14,Mittal Chambers, 1st Floor Nariman Point,
Mumbai-400 021
Tel No:91 022 40074800. Fax:91 022 40074869
Email:anil.mehta@religare.in
Contact Person : Mr. Anil Mehta
Web Site:www.religare.in

SYNDICATE MEMBER

SYSTEMATIX CORPORATE SERVICES LIMITED
JK Somani Building, 2nd Floor
British Hotel Lane, Fort, Mumbai-400 001
Tel: 91 22 30288114 Fax: +91 22 22675191.
E-Mail: scslch@vsnl.com
Contact Person:Mrs Bharathi Ponde
Web site:www.systematixgroup.in

Religare Securities Limited
14, Mittal Chambers, 1st Floor,
Nariman Point, Mumbai-400 021
Tel No : 91 022 40074800. Fax:91 022 40074869
Email:anil.mehta@religare.in
Contact Person:Mr. Anil Mehta
Web Site:www.religare.in

TUBEKNIT FASHIONS LIMITED

SYSTEMATIX SHARES & STOCKS (I) LTD.
JK Somani Building, 2nd Floor
British Hotel Lane, Fort, Mumbai-400 001
Tel: 91 22 22664476 Fax: +91 22 22663968
E-Mail: scslch@vsnl.com
Contact Person: Mr. Ajit Guruji
Web site: www.systematixgroup.in

Registrar to this Issue

CAMEO CORPORATE SERVICES LIMITED
(SEBI Regd. No.: INR 00000 3753)
Subramanian Building, No 1, Club House Road
Chennai-600 002
Tel: 91 44 28460390 Fax: 91 44 28460129
E-Mail: tubeknit@cameoindia.com
Contact Person: R.D. Ramasamy

Bankers to the Issue and Escrow Collection Banks

State Bank of India
New Issues & Securities Division
Mumbai Main Branch
Mumbai samachar Marg
Post Box No 13, Fort, Mumbai-400023
Tel: 91 22 2266133 Fax: 91 22 22670745
E-Mail: agmnissd@vsnl.net
Contact Person: S.M. Das

The Hong Kong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road,
Mumbai-400 001
Tel: 91-22-2268167/22681290
Fax: 91-22-22734388 Email: dhirajbajaj@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj, Vice President, Global payments and Cash Management

UTI BANK LIMITED
Corporate Office
131, Maker Tower "F" 13th Floor
Cuff Parade, Colaba, Mumbai-400 005
Tel: 91-22-55071373 Fax: 91-22-22155157
Email: sunil.bahl@utibank.co.in
Website: utibank.com
Contact Person: Mr. Sunil Bahl, Vice president

ICICI BANK LIMITED
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai-400 001
Tel: 91-22-22655285 Fax: 91-22-22611138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Sidhartha Sankar Routray Chief Manager

ABN AMRO BANK
1st Floor, Brady House,
14 Veer Nariman Road, Fort, Mumbai – 400 001
Tel- 91-22 5658 5879, 91-22 5658 5817
E-mail: prashant.bohra@in.abnamro.com, neeraj.chabra@in.abnamro.com
Contact Persons: Prashant Bohra,
Team Leader, Implementation Services – India Transaction Banking
Neeraj Chabra,
Head Cash & Payment Operations - Mumbai

Statutory Auditors

D.G. Shah & Co.,
Chartered Accountants
62, West Lokamanya Street,
R.S. Puram, Coimbatore – 641 002
Tel: 0422 - 2548414 Fax: 0422 - 2551701
E-mail: dgshahco@hotmail.com
Contact Person: Mr. Dharamsi G Shah

STATEMENT OF RESPONSIBILITIES FOR THE ISSUE

SR. NO.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	SCSL	SCSL
2.	Due diligence of the Company's operations / management / business plans / legal etc.	SCSL	SCSL
3.	Drafting & Design of Offer Documents and of statutory advertisement including memorandum containing salient features of the Red Herring Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	SCSL	SCSL
4.	Drafting and approval of Offer and statutory publicity material	SCSL/RSL	RSL
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material	SCSL/RSL	RSL
6.	Appointment of Ad agency	SCSL	SCSL
7.	Appointment of Registrar, Bankers and Printer	SCSL	SCSL
8.	Marketing of the Offer, which will cover inter alia, formulating marketing strategies, preparation of publicity budget, Finalize Media & PR strategy. Finalizing centers for holding conferences for brokers, etc. Finalize collection centers, Follow-up on distribution of publicity and Offer material including form, Red Herring Prospectus and deciding on the quantum of the Offer material.	SCSL/RSL	SCSL
9.	Finalizing the list of QIBs, Divisions of QIBs for one to one meetings, road show related activities and order procurement	SCSL/RSL	SCSL
10.	Finalizing of Pricing & Allocation	SCSL/RSL	SCSL
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	SCSL/RSL	SCSL
12.	The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Banker to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company	SCSL/RSL	SCSL

Credit Rating

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

IPO Grading

The Company has opted for IPO Grading. The Company had appointed ICRA Limited (ICRA), credit rating organization for IPO Grading and ICRA has assigned the "ICRA IPO Grade 3" to the proposed initial public offering of the company.

ICRA after due consideration, assigned the "ICRA IPO Grade 3"(pronounced ICRA IPO Grade Three) for the proposed initial public offering of the company. The grading reflects the company's established track record in the export markets particularly in the European Union, its presence in the high margin high style niche and the overall buoyancy in the textile industry.

The grading is however constrained by the intense competitive pressures prevalent in the industry, vulnerability of the industry to changes in International cross border trade regulations and company's high dependence on a single market. The rating also factors in the significant increase in business risk stemming from the large investments the company has planned for the short to medium term.

TUBEKNIT FASHIONS LIMITED

This grade indicates that the fundamentals of the issue are average relative to other listed equity securities in India. An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. Such an assessment involves a comparison both with peers and with other listed equity securities. The IPO Grading are assigned on a scale of IPO Grade 5 through IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

An ICRA IPO Grading should not be treated as a recommendation to buy, sell or hold the Equity Shares to be issued by the company.

The grading given by ICRA is valid upto 15th March 2007.

Trustees

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

Monitoring Agency

As the Issue size shall be less than Rs. 500 crores monitoring agency is not required to be appointed to monitor the utilization of funds.

Book Building Process

Book Building refers to the process of collection of bids from investors, on the basis of this Red Herring Prospectus including the Price Band. This Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) Our Company;
- (2) Book Running Lead Managers and Syndicate Members who are an intermediary registered
With SEBI or registered as broker with BSE/NSE and eligible to act as underwriter, in this case being Systematix Corporate Services Limited, Religare Securities Ltd. and Systematix Shares & Stocks (I) Ltd.
- (3) Registrars to the Issue, in this case being Cameo Corporate Services Limited.

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs), of which 5% shall be reserved for Mutual Funds. Further, at least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Our Company will comply with these guidelines for this Issue. In this regard, our Company has appointed the BRLM to procure subscriptions to the Issue.

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

QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. For details see the section titled "Terms of the Issue" on page 112 in this Red Herring Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account
- 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; and
- Ensure that the Bid cum Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to our Section titled "Issue Procedure" on page 114 of this Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 20 to Rs. 24 per share, issue size of 1,800 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com)

and NSE (www.nseindia.com) during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	27.78%
1000	23	1500	83.33%
1500	22	3000	166.67%
2000	21	5000	277.78%
2500	20	7500	416.67%

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

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue. Pursuant to the recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after Bid/ Issue Closing Date.

Underwriting Agreement

After the determination of this Issue Price and allocation of our Equity Shares but prior to filing of the Red Herring Prospectus with Registrar of Companies, Coimbatore, Tamil Nadu, we will enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount as per the underwriting obligations.

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

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with Registrar of Companies, Coimbatore Tamil Nadu)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Million)
[●]	[●]	[●]

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 the Board of Directors of the Company (based on a certificate given by the Underwriter), the resources of the above mentioned Underwriter is sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act.

Notwithstanding the above table, the BRLM/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, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is proportionate as per the terms of this Red Herring Prospectus. For further details about allocation please refer to "Other Regulatory and Statutory Disclosures" on page 103 of this Red Herring Prospectus.

TUBEKNIT FASHIONS LIMITED

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:

(Rs. In Lakhs)

		Aggregate nominal Value	Aggregate value at Issue Price
A. Authorised Capital			
	1,70,00,000 Equity shares of Rs. 10/- each	1700.00	
	30,00,000 13% Cumulative Optionally Convertible Preference Shares of Rs. 10/- each	300.00	
B. Issued, Subscribed and Paid-up Capital before the issue			
	1,25,20,000 Equity Shares of Rs. 10/- each fully paid-up	1252.00	
C. Present Issue to the public in terms of this Red Herring Prospectus			
	42 75 000 Equity Shares of Rs 10 each Out of which		
	i. 2 00 000 Equity shares of Rs. 10 each are reserved for the employees	407.50	[●]
	ii. 40 75 000 Equity shares of Rs. 10 each as net issue to the public		
D. Paid-up Equity Capital after the Issue			
	1 62 75 000 Equity Shares of Rs 10 each fully paid-up	1627.50	[●]
E. Share Premium Account		[●]	[●]

Details of Increase and change in Authorised Share Capital

Particulars of Increase / Modification	No. of Equity Shares	Cumulative number of Equity shares	Face Value (Rs.)	No. of Preference Shares	Face Value	Authorised Share capital (in lakhs)
30.08.1996	20	20	10			0.002
31.03.1997	29,99,980	30,00,000	10			300.00
19.11.1999	70,00,000	1,00,00,000	10			1000.00
22.05.2000	(50,00,000)	50,00,000	10	50,00,000	10	1000.00
27.09.2000	50,00,000	1,00,00,000	10		10	1500.00
27.09.2001	50,00,000	1,50,00,000	10		10	2000.00
23.02.2006	20,00,000 (20,00,000)	1,70,00,000	10	30,00,000	10	2000.00

Notes to Capital Structure:

1. Share Capital History of our Company

Date of Allotment	No. of shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Issue and Reason of Allotment	Cumulative Paid-up Share Capital	Cumulative Share Premium
30.08.1996	20	10	10	Cash at par	Subscription to MOA	200	NIL
31.03.1997	29,99,980	10	10	Other than cash	Allotment to Promoters for consideration other than cash consequent to take over of partnership concern, TubeTex Exports	3,00,00,000	NIL
29.06.2001	60,00,000	10	10	Bonus in the ratio of 2:1	Bonus Issue	9,00,00,000	NIL
25.03.2002	32,70,000	10	10	Other than cash	Allotment to Promoters for consideration other than cash consequent to Purchase of Assets from Partnership concern Reliance Textiles processing.	12,27,70,000	NIL
25.03.2002	2,50,000	10	10	Cash at Par	Allotment to Promoters	12,52,00,000	NIL

2. Details of Shares offered for “offer for sale”

The Selling shareholder, Mr. P. Parthasarathi is offering 5,20,000 equity shares of Rs 10/-each out of 75,59,400 equity shares held by him for cash at a Price band of Rs 100 to Rs 120 per share aggregating to Rs [●] at a minimum Price and Rs [●] at the maximum price. This forms 3.19% of the post issue holding in the company. The aforesaid Equity shares are covered by the “Non-Disposal” undertaking given by Mr.P.Parthasarathi, the promoter of the Company, to the Company term Lender namely IDBI. IDBI vide letter dated April 28, 2006 has granted the necessary approval for the aforesaid dis-investment and thereby releasing the equity shares covered under non-disposal undertaking, given by Mr. P. Parthasarathi, to the term lenders of the Company led by IDBI.

TUBEKNIT FASHIONS LIMITED

3. Promoters Contribution and Lock-in

Name of the Promoter	Date on which Equity Shares were allotted / transferred and made fully paid up	Number of Equity Shares	Face Value (in Rs.)	Issue / Transfer Price in Rs.	Consideration (cash, bonus, consideration other than cash)	Percentage of pre-Issue paid-up capital	Percentage of post-issue paid-up capital	Eligible for Lock-in Period of
Mr.P.Parthasarathi	25.03.2002	3060000	10	NIL	Consideration other than cash	24.44	18.80	3 years
	29.06.2001	2999600	10	NIL	Bonus	23.95	18.43	1 Year
	31.03.1997	979790	10	NIL	Consideration other than cash	7.82	6.02	1 Year
	24.08.1996	10	10	10	Cash	0.0001	0.0001	1 Year
Mrs.P.Maheswari	17.12.2005	100	10	NIL	Cash	0.0008	0.0006	3 years
	25.03.2002	139900	10	NIL	Consideration other than cash	1.12	0.86	3 years
	25.03.2002	55000	10	NIL	Consideration other than cash	0.44	0.34	3 years
	25.03.2002	265000	10	NIL	Consideration other than cash	2.12	1.63	1 year
	29.06.2001	2999300	10	NIL	Bonus	23.95	18.43	1 Year
	31.03.1997	1499690	10	NIL	Consideration other than cash	11.97	9.21	1 Year
	24.08.1996	10	10	10	Cash	0.0001	0.0001	1 Year
	03.10.2003	300	10	10	Cash	0.002	0.002	1 Year
Ms. Ganga	17.12.2005	300	10	10	Cash	0.002	0.002	1 Year
	29.06.2001	200	10	10	Cash	0.002	0.001	1 Year
	02.01.2000	100	10	10	Cash	0.001	0.001	1 Year
	09.09.2002	100	10	10	Cash	0.001	0.001	1 Year
Mr. P. Srinivasan	29.06.2001	200	10	10	Cash	0.002	0.001	1 Year
	02.01.2000	100	10	10	Cash	0.001	0.001	1 Year
Ms. Janani	29.06.2001	200	10	10	Cash	0.002	0.001	1 Year
	02.01.2000	100	10	10	Cash	0.0007	0.0006	1 Year
Total		12000000	95.85%	73.73%				

The Promoters have vide their letters dated March 30, 2006 given their consent for lock-in as stated above. The minimum promoter's contribution shall be locked in for a period of three years beginning from the date of allotment in the public issue. The balance pre-issue shareholding i.e 87,43,400 Equity Shares held by the Promoters and 1600 Equity shares held by person other than the Promoter) shall be locked in for a period of one year from the date of allotment in the present issue.

Equity Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of the extent SEBI Guidelines, may be transferred to any other person holding Equity Shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Equity Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.

The shares locked in by the Promoter are not pledged to any party. Locked-in Equity Shares held by the Promoter may be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions in terms of clause 4.16 (b) of the SEBI Guidelines.

Promoters' contribution has been brought in to the extent of not less than the specified minimum lot.

4. Shareholding pattern of the Company prior and post this Issue

Category	Pre-Issue		Post-Issue	
	Number	%	Number	%
Promoters				
Mr. P. Parthasarathi	75,59,400	60.38%	70,39,400	43.25%
Mrs. P. Maheswari	49,59,000	39.61%	49,59,000	30.48%
Sub Total (A)	1,25,18,400	99.99%	1,19,98,400	73.73%
Promoter Group				
Ms. Ganga	600	0.004%	600	0.003%
Ms. Janani	300	0.002%	300	0.002%
Mr. S. Murugan	300	0.002%	300	0.002%
Mr. P. Srinivasan	300	0.002%	300	0.002%
Mr. R. Gopalswamy	100	0.002%	100	0.001%
Sub Total (B)	1,600	0.01%	1600	0.01%
Promoter and Promoter Group Holdings (C=A+B)	1,25,20,000	100.00%	1,20,00,000	73.74%
Total Pre Issue Capital (D)	1,25,20,000	100.00%	1,20,00,000	73.74%
Employees			2,00,000	1.23%
Public Issue			35,55,000	21.84%
Offer for Sale			5,20,000	3.19%
Total	1,25,20,000	100.00%	1,62,75,000	100.00%

5. Particulars of top ten shareholders:

a) As on the date of filing this Red Herring Prospectus with SEBI

Sr. No.	Name of the shareholder	Number of Equity Shares
1.	Mr. P. Parthasarathi	7559400
2.	Mrs. P. Maheswari	4959000
3.	Ms. Ganga	600
4.	Ms. Janani	300
5.	Mr. S. Murugan	300
6.	Mr. P. Srinivasan	300
7.	Mr. R. Gopalswamy	100

b) Ten days prior to the date of filing this Red Herring Prospectus with SEBI

Sr. No.	Name of the shareholder	Number of Equity Shares
1.	Mr. P. Parthasarathi	7559400
2.	Mrs. P. Maheswari	4959000
3.	Ms. Ganga	600
4.	Ms. Janani	300
5.	Mr. S. Murugan	300
6.	Mr. P. Srinivasan	300
7.	Mr. R. Gopalswamy	100

TUBEKNIT FASHIONS LIMITED

c) Top ten shareholders 2 years prior to the date of filing of this Red Herring Prospectus with SEBI

Sr. No.	Name of the shareholder	Number of Equity Shares
1.	Mr. P. Parthasarathi	7559400
2.	Mrs. P. Maheswari	4958900
3.	Ms. Ganga	300
4.	Ms. Janani	300
5.	Mr. S. Murugan	300
6.	Mr. P. Srinivasan	300
7.	Mr. R. Gopaldaswamy	100

6. Except as disclosed herein, there would be no further issue of capital whether by issue of bonus shares, preferential allotment, rights issue, exercise of employee stock option or any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the equity shares are being listed.
7. Buy-back and Standby arrangements
There is no "buy back" or "stand by" arrangement for purchase of Equity Shares by the Company, its Promoters, Directors, or the BRLMs for the Equity Shares offered through the Red Herring Prospectus.
8. The Company has not raised any bridge loan against the proceeds of the Issue.
9. The Equity Shares offered through the Issue will be fully paid up.
10. In the Public Issue, in case of over subscription in all categories, up to 50% of the Net Issue to Public shall be allocated to QIBs on a discretionary basis. Further, at least 15% of the Net Issue to Public shall be available for allocation to non-institutional bidders and at least 35% of the Net Issue to Public shall be available for allocation to retail bidders, on proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-Institutional, Retail or QIBs categories shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLMs.
11. At present we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except ESOPs if any or if we enter into acquisition or joint ventures or make investments, in which case we may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments.
12. As on the date of filing the Red Herring Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders or any other person any option to receive equity shares after the Issue. The Company does not have any outstanding ESOP.
13. We have not issued any Equity Shares out of revaluation reserve or for consideration other than cash except for bonus issues out of free reserves.
14. We have made following allotments of Equity Shares for consideration other than cash:

Date of Allotment	Number of Equity Shares	Face Value	Nature of Allotment
31.03.1997	29,99,980	10	Consideration other than cash consequent to take over of partnership concern
29.06.2001	60,00,000	10	Bonus in the ratio of 2:1
25.03.2002	32,70,000	10	Consideration other than cash consequent to Purchase of assets from partnership concern

15. At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. The Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
16. No single applicant can make an application for number of shares, which exceeds the number of shares offered.

17. Our Company has 7 shareholders as on the date of filing the Red Herring Prospectus with SEBI.
18. An over-subscription to the extent of 10% of the Net Issue to Public can be retained for the purpose of rounding off to the nearest multiple of one Equity Share while finalizing the basis of allotment.
19. Restrictive covenants under the Lender's Agreements about Capital Structure:

In respect of various agreements entered into by our company with its lenders, we are bound by certain restrictive covenants regarding its capital structure. As per this restrictive covenant, our company cannot without prior approval of the banks,

 - a) Change or in any way alter the capital structure of the borrower.
 - b) Effect any scheme of amalgamation or reconstitution
 - c) Implement a new scheme of expansion or take up an allied line of business or manufacture.
 - d) Declare dividend or distribute profits except where the installments of principal and interest payable to the Bank in respect of the facilities are being paid regularly and there are no irregularities whatsoever in respect of the facilities.
 - e) Enlarge the scope of the other manufacturing / trading activities if any undertaken at the time of the application and notified to the bank as such.
 - f) Withdraw or allow to be withdrawn any monies brought in by the promoters and directors or relatives and friends of the promoters or directors of the borrower.
 - g) Invest any funds by way of deposits, or loans or in share capital of any other concerns (including subsidiaries) so long as any money remains due to the bank; the borrower will however be free to deposit funds by way of security with third party in the normal course of business or if required for the business.
 - h) Borrow or obtain facilities of any description from any other bank or credit agencies or banks or enter into any hire purchase arrangement.

TUBEKNIT FASHIONS LIMITED

OBJECTS OF THE ISSUE

OBJECTS OF THE ISSUE

The object of the issue is to raise capital aggregating to Rs. [●] crores for part financing the fund requirement of Rs. [●] Crores for the project. The proposed project of our Company will include putting a Spinning Mill of 20400 Spindles for Cotton yarn Production, Printing machine, Cutting Machines, Stitching Machine, Embroidery Machines and Garment dyeing machine. The Fund requirements includes Rs 17.00 Lakhs for Land, Rs 83.00 Lakhs for Land Development, Rs. 1014.70 Lakhs for Construction of Buildings, Rs. 5558.51 Lakhs for Plant & Machinery, Rs. 1000.00 Lakhs for Joint Venture Investment, Rs. 157.00 Lakhs for Preoperative Expenses, Rs. 138.96 Lakhs for Contingencies, Rs. [●] Lakhs for issue Expenses.

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 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 expenses and all other issue-related expenses, is estimated at Rs [●] lakhs.

Cost of Project and Means of Finance

The Cost of Project and means of finance are given below:

Cost of Project

Particulars	Amount (Rs. In Lakhs)
Land	17.00
Land Development	83.00
Building	1014.70
Plant & Machinery	
Indigenous	1589.43
Imported	3969.08
Joint Venture Investment	1000.00
Preoperative Expenses	
Finance Cost	132.00
Start Up Expenses	25.00
Contingencies	138.96
Issue Expenses	[●]
Total Cost of the Project	[●]

MEANS OF FINANCE

The fund requirement of Rs. [●] is proposed to be financed as given below:

Particulars	Amount (Rs. In Lakhs)
Initial Public Offering	[●]
Term Loan from Banks	4000.00
TOTAL	

Brief Details about the Project

Land and Site Development

We have purchased agricultural land admeasuring 13.65 acres (approx. 50610 sq.mts.) situated at Vadukapalayam village in Palladam. We will be setting up a spinning mill and facilities for Garment Manufacturing at the above said land.

Our company has obtained approval from appropriate authority i.e. panikkampatti Village panchayat for the use of agricultural land for industrial purpose vide letter dated 28.04.06.

The land is free of encumbrances and registered in the name of our company. Further, the persons from whom land has been acquired are not related to our promoters or directors.

The site development cost for setting up of new spinning mill & facilities for Garment manufacturing is estimated at Rs.83.00 lakhs. Site development cost includes costs for leveling and filling, laying approach roads and internal roads, fencing and construction of compound wall and iron gates etc.

Building and Civil Works

We will be setting up a spinning mill plant in a total built-up area of approximately 182822.50 sq. ft. at a total cost of Rs. 687.30 lakhs.

We will also be setting up facilities for garment manufacturing in a total built-up area of approximately 94399.50 sq. ft. at a total cost of Rs. 327.40 lakhs.

The details of building and civil works are given below:

Description – Facility-wise	Area in Sq.ft.	Amount (Rs. In Lakhs)
Spinning Mill	182822.50	687.30
Garmenting	94399.50	327.40
Total	277222.00	1014.70

We will be awarding contract to Booja Construction Engineerers and Contractors for civil construction work. The contract is for consideration of Rs. 1014.70 lakhs. The time for completion of the contract is 10 months from the date of letter of intent.

Plant & Machinery

Our Company proposes to Purchase Indigenous Plant & Machinery amounting to Rs 1589.43 Lakhs and Imported Plant & Machinery amounting to Rs 3969.08 Lakhs. We have obtained quotations for Plant & Machineries from various suppliers both in Domestic as well as International Market.

The Cost of Plant & Machineries for the Project is aggregating to Rs. 5558.51 lakhs details of which are mentioned hereunder:

A. Indigenous Machineries

(Rupees in Lakhs)

S. No	Particulars	Name of the Supplier/ Manufacturer	Nos	Unit Price	Estimated Total Price
I	SPINNING MILL				
1	Blow Room Machines	Trumac Engineering Co. Pvt. Ltd.			
	a) Automatic Bale Opener Blendomat		1	37.00	37.00
	b) Extension Unit		7	0.80	5.60
	c) Transport Fan 7.5 KW – TV500		1	0.99	0.99
	d) High Capacity Condenser – LVSA		1	1.92	1.92
	e) Maxi Flow MFC to Suit LVSA		1	5.69	5.69
	f) Multi Mixer MPM Complete – MPM8		1	15.55	15.55
	g) FAN TV425		1	0.86	0.86
	h) High Capacity Condenser – LVSA		1	1.92	1.92
	i) Feed Trunk For CVT/1600-BS987/1600		1	0.94	0.94
	j) Cleanomat – CVT1/1600		1	12.05	12.05
	k) CHANGE BOX (Manually operated) – HWK		10	0.08	0.08
	l) DUSTEX with 1 TV425-DX		1	5.06	5.06
	m) Material Transport System for material handling		1	0.86	0.86
	n) Two Way Distributor		1	0.98	0.98
	o) T-Distribution – T2		1	0.65	0.65
	p) Electrical Control Panel - EGS		1	5.22	5.22
	Total				96.09

TUBEKNIT FASHIONS LIMITED

S. No	Particulars	Name of the Supplier/ Manufacturer	Nos	Unit Price	Estimated Total Price
	LESS: Discount @ 10% and ADD: CENVAT @ 16%; Education Cess @ 2% on excise and CST @ 4% against Form C				8.53
	Total (a)				104.62
	a) Multi Mixer MPM Complete – MPM8 b) FAN TV425 c) High Capacity Condenser - LVSA d) Feed Trunk For CVT/1600 – BS987/1600 e) CLEANOMAT-CVT1/1600 f) DUSTEX with 1 TV425-DX g) Material Transport System for material handling h) Two Way Distributor i) T-Distribution-T2 j) Electrical Control Panel - EGS	Trumac Engineering Co. Pvt. Ltd.	1 1 1 1 1 1 1 1 1 1	15.55 0.86 1.02 0.94 12.05 5.06 0.86 0.98 0.65 4.17	15.55 0.86 1.02 0.94 12.05 5.06 0.86 0.98 0.65 4.17
	Total				43.04
	Less: Discount @ 10%; and Add: CENVAT @ 16%; Education Cess @ 2% on excise and CST @ 4% against Form C				3.82
	Total (b)				46.86
2	Carding Machineries a) CHUTEFEED SYSTEM – FBK533 Less: Discount @ 10%; CENVAT @ 16%; Education Cess @ 2% and CST @ 4% against Form C	Trumac Engineering Co. Pvt. Ltd.	21	3.99	83.79 7.44
	Total (c)				91.23
3	Comber & Accessories a) LAP FORMER LH-10 b) COMBER LK54 c) Lap Trolley d) Lap Spools		3 16 19 400	25.96 27.20 0.40 0.023	77.88 435.20 7.60 9.20
	Total				529.88
	Add: Duty & Sales Tax				119.07
	Total (d)				648.95
5.	Roving Frame Add: Packing @2.5%; Excise Duty @ 16%; Education Cess @ 2% on CENVAT; CST @ 4% against Form C	Zinser Textile Systems	5	37.00	185.00 44.39
	Total (e)				229.39
6	Accessories (f)				377.65
	Total (a) to (f)				1498.70
	PRINTING				
1	CP Make Floor mounted screw compressor Add: Excise Duty @ 16.32%; CST @ 4% against Form C	SG Pneumatics	1	1.65	1.65 0.35
	Total				2.00
2	Air Dryer & Air Receiver	Unique Air Solutions	1	1.00	1.00
	Total (C)				3.00

S. No	Particulars	Name of the Supplier/ Manufacturer	Nos	Unit Price	Estimated Total Price
	GARMENTING				
1	Diesel fired Boiler 50 kg	Cerebro Trade Services Pvt. Ltd.	4	1.30	5.20
2	VACUUM IRONING TABLE 53sm, 3ph	Cerebro Trade Services Pvt. Ltd.	38	0.165	6.27
3	VACUUM IRONING TABLE 54s R, 3ph	Cerebro Trade Services Pvt. Ltd.	38	0.168	6.384
4	VACUUM IRONING TABLE (SVT 54D, 3ph)	Cerebro Trade Services Pvt. Ltd.	38	0.21	7.98
5	VACUUM IRONING TABLE Turbo 54s, 3ph	Cerebro Trade Services Pvt. Ltd.	38	0.163	6.19
6	VACUUM IRONING TABLE Turbo (SVT 54D, 3ph)	Cerebro Trade Services Pvt. Ltd.	38	0.19	7.22
7	STAIN REMOVER [KIDS-SS03] WITH BOILER	Cerebro Trade Services Pvt. Ltd.	1	0.68	0.68
8	STAIN REMOVER SUNSTAR MODEL	Cerebro Trade Services Pvt. Ltd.	1	0.98	0.98
9	ALL STEAM IRON PRESS	Cerebro Trade Services Pvt. Ltd.	38	0.061	2.32
	Add: Duty & Clearing charges	Cerebro Trade Services Pvt. Ltd.			44.51
	Total (D)				87.73
	Grand Total				1589.43

B. Imported Machineries

S. No	Particulars	Name of the Supplier/Manufacturer	Nos	Unit Price	Estimated Total Price	Currency	Conversion Cost	Estimated Total cost (Rupees In Lakhs)
I	SPINNING							
1	TRUETZSCHLER CARD TC-03	Truetzschler	12	80000	960000	Euro	55.75	535.20
2	TRUETZSCHLER DRAW FRAME	Truetzschler	5	42500	212500	Euro	55.75	118.47
	Add: Duty							37.13
3	Auto Cone Winder	Saurer India Private Limited	6	217000	1302000	Euro	55.75	725.86
	Add: Duty							49.70
	Total (A)							1466.3
4	Spinning Frame (17*1200)	Zinser textile Systems	17*1200	97	1978800	Euro	55.75	1103.18
	Duty and Clearing Charges							77.22
	Total (B)							1180.40
	Total (A) + (B)							2646.76
II	GARMENT DYEING							
1	Sampling Dyeing Machine	Tonelleo	1	22900	22900	Euro	55.75	12.77
	Add: Duty & Clearing							0.90
2	Dyeing Machine	Tonelleo	3	130000	390000	Euro	55.75	217.42
	Add: Duty & Clearing							15.22

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S. No	Particulars	Name of the Supplier/Manufacturer	Nos	Unit Price	Estimated Total Price	Currency	Conversion Cost	Estimated Total cost (Rupees In Lakhs)
3	Fabric Dyeing	Ssangho Machinery	2	98000	196000	Euro	55.75	109.27
	Add: Duty & Clearing							7.65
4	Yarn Dyeing	Filatura Comlan	4		150000	Euro	55.75	83.62
	Add:Duty, clearing & freight							16.38
	Total							463.23
III	PRINTING							
1	Screen Printing Machine	MHM	1	125000	125000	Euro	55.75	69.68
	Add: Duty							4.81
	Total (B)							74.49
IV	GARMENTING							
1	M852-13-2X4 Power operated Over lock Machine	Pegasus Machinery	70	730	51100	US\$	45.09	23.04
2	M832-355-3X2X4 Power operated Over lock Machine	Pegasus Machinery	35	830	29050	US\$	45.09	13.10
3	W1562-01GBX356BS Three Needle Chain Stitch Machine	Pegasus Machinery	40	1090	43600	US\$	45.09	19.66
4	W664-01GBX 356	Pegasus Machinery	30	2000	60000	US\$	45.09	27.05
5	W664-35BCX356BS/ FT540/RB125 Three Needle Chain Stitch Machine	Pegasus Machinery	20	2975	59500	US\$	45.09	26.83
6	W1562-05BX356BS/ FTOB/MD0A Three Needle Chain Stitch Machine	Pegasus Machinery	2	1600	3200	US\$	45.09	1.44
7	W664-01GBX356/RP113A Three Needle chain Stitch Machine	Pegasus Machinery	2	2700	5400	US\$	45.09	2.43
8	FS703A-G4X460/PD23/ RB125 Four Needle Feed-off- =the Arm Machine	Pegasus Machinery	2	5800	11600	US\$	45.09	5.23
9	PL-LU922 Rib Cutting Machine	Pegasus Machinery	3	750	2250	US\$	45.09	1.01
10	KM-250ASingle Needle Lock Stitch Machine	Sunstar machinery	40	265	10600	US\$	45.09	4.78
11	KM-250A-7S-P Single Needle Lock stitch with thread trimmer, Needle Positioner, Thread Wiper, Quick Back Tack Programming	Sunstar machinery	35	685	23975	US\$	45.09	10.81
12	SPS/B-BH3000 Direct drive Electronic Button Stitch Machine	Sunstar machinery	3	3850	11550	US\$	45.09	5.21
13	SPS/B-B1202 Direct Drive Electronic Button Stitch Machine	Sunstar machinery	3	3450	10350	US\$	45.09	4.66
14	SPS/B-B1201 Direct Drive Electronic Bar tacking Machine	Sunstar machinery	2	2350	4700	US\$	45.09	2.12

S. No	Particulars	Name of the Supplier/Manufacturer	Nos	Unit Price	Estimated Total Price	Currency	Conversion Cost	Estimated Total cost (Rupees In Lakhs)
15	DDL-8700 Juki-Single Needle Lockstitch Machine Complete set	Juki Machinery (India) Pvt. Ltd.	40	355	14200	US\$	45.09	6.40
16	DDL-8700-7-WB/SC500/ CP160A Juki-Single Needle Lockstitch machine with underbed Thread Trimmer and control Panel Complete set	Juki Machinery (India) Pvt. Ltd.	35	850	29750	US\$	45.09	13.41
17	MO-6704S-0A5-150 Juki-3 Thread Overlock Machine for Gathering Complete Set	Juki Machinery (India) Pvt. Ltd.	2	650	1300	US\$	45.09	0.59
18	MO-6714S-BE6-44H/ G39/Q141 Juki-4 Thread Overlock Machine Complete Set	Juki Machinery (India) Pvt. Ltd.	70	690	48300	US\$	45.09	21.78
19	MO-6743S-ID6-40H Juki-6 Thread Overlock Machine Complete Set	Juki Machinery (India) Pvt. Ltd.	35	790	27650	US\$	45.09	12.47
20	MF-7723-U10-B56 Juki-Flat bed Flat Lock Machine Complete Set	Juki Machinery (India) Pvt. Ltd.	30	990	29700	US\$	45.09	13.39
21	MF-7723-E10-B56/MD10 Juki-Flat Bed Flat Lock Machine with elastic tape attaching and metering device complete set	Juki Machinery (India) Pvt. Ltd.	3	1800	5400	US\$	45.09	2.43
22	MF-7823-U10-B56 Juki – Cylinder Bed Flat Lock Machine Complete Set	Juki Machinery (India) Pvt. Ltd.	40	1650	66000	US\$	45.09	29.76
23	MF-7823-H20-B56/UT25/ MC35/SC510 Juki- Cylinder bed Flat lock machine with fabric trimmer, underbed thread trimmer and suction device complete set	Juki Machinery (India) Pvt. Ltd.	20	3500	70000	US\$	45.09	31.56
24	LBH-17905 Juki-Computer Controlled direct drive lockstitch Button Hole Machine Complete set	Juki Machinery (India) Pvt. Ltd.	3	5400	16200	US\$	45.09	7.30
25	LK-1903 ASS Juki-Computer Controlled Direct Drive Lockstitch Button Sewing Machine Complete set	Juki Machinery (India) Pvt. Ltd.	3	3800	11400	US\$	45.09	5.14
26	LK 1900 ASS Juki- Computer controlled direct Drive Bar Tack Machine Complete set	Juki Machinery (India) Pvt. Ltd.	2	2800	5600	US\$	45.09	2.52
27	BROTHER Model S7200 A 303022	Brother machines	25	890	22250	US\$	45.09	10.03
28	BROTHER Model KE-430D-01-S-001	Brother machines	1	2700	2700	US\$	45.09	1.21

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S. No	Particulars	Name of the Supplier/Manufacturer	Nos	Unit Price	Estimated Total Price	Currency	Conversion Cost	Estimated Total cost (Rupees In Lakhs)
29	BROTHER Model HE-800A	Brother machines	3	4200	12600	US\$	45.09	5.68
30	Brother Model BE-438-D-01-S-001 Electronic Button Stitch Machine	Brother machines	3	3650	10950	US\$	45.09	4.94
31	YAMATO CZ6125-Y5DF/K2/CC4 Four Thread Overlook Machine complete with chain cutter with lint collector	Yamoto machinery	85	800	68000	US\$	45.09	30.66
32	YAMATO CZ6500-A4DF/K1/CC4 Six Thread Overlook Machine with Chain Cutter and Lint Collector	Yamoto machinery	12	925	11100	US\$	45.09	5.00
33	YAMATO MODEL CZ6520-AY5DF/K1/CC4 Six Thread Overlook Machine with Chain cutter and Lint Collector	Yamoto machinery	8	975	7800	US\$	45.09	3.52
34	YAMATO MODEL CF2300M-156M 5 Thread Flatbed Flatlock Machine	Yamoto machinery	55	950	52250	US\$	45.09	23.56
35	YAMATO MODEL VO2713M-156M-K4N/UTA34F5 Thread Cylinderbed Flatlock Machine with Underbed Thread Trimmer	Yamoto machinery	5	2950	14750	US\$	45.09	6.65
36	YAMATO MODEL VC2713M-156M-K4M5 Thread Cylinder bed Flatlock Machine	Yamoto machinery	15	1950	29250	US\$	45.09	13.19
37	YAMATO MODEL VC3711M-156L/UTA44F/CC75 Thread Cylinderbed Flatlock Machine with Fabric Trimmer and Undebed Thread	Yamoto machinery	15	3450	51750	US\$	45.09	23.33
38	YAMATO MODEL VE271S-156S-2-K4N/UTA24 5 Thread Small Cylinderbed Flatlock Machine with thread trimmer	Yamoto machinery	2	4800	9600	US\$	45.09	4.33
39	YAMATO MODEL VF 2539-156S1-8/AEF31/EC 5 Thread Flatbed Flatlock Machine with Fabric Trimmer and lace mettering device with Autocutter	Yamoto machinery	2	2700	5400	US\$	45.09	2.43
40	YAMATO MODEL lg2125-LW single needle zigzag machine complete	Yamoto machinery	2	2100	4200	US\$	45.09	1.89
41	YAMATO MODEL AZ8000G-04DF 3 needle blind hemming machine	Yamoto machinery	2	1700	3400	US\$	45.09	1.53
	Total (C)							432.07

S. No	Particulars	Name of the Supplier/Manufacturer	Nos	Unit Price	Estimated Total Price	Currency	Conversion Cost	Estimated Total cost (Rupees In Lakhs)
V	EMBROIDERY							
1	BARUDAN MULTIHEAD Computerised Embroidery Machines MODEL:BEDSH-YN-B20S (600 X 300 / 500 MM)	Barudan Asia Pte. Ltd.	3	7850000	23550000	Japanese Yen	0.38	89.49
2	MODEL:BEDSH-YN-B18S (800X400/400 MM)	Barudan Asia Pte. Ltd.	1	8700000	8700000	Japanese Yen	0.38	33.06
3	MODEL :BEDYH-YN-C12 (600 X 350 / 350 MM)	Barudan Asia Pte. Ltd.	1	6350000	6350000	Japanese Yen	0.38	24.13
4	MODEL:BEDYH-YN-4 (600 X300/300 MM)	Barudan Asia Pte. Ltd.	2	3450000	6900000	Japanese Yen	0.38	26.22
	Add:Duty							12.04
	Total (D)							184.94
VI	CUTTING							
1	Fully automatic and programmable spreading machine	I.M.A.	1	45760	45760	Euro	55.75	25.51
2	Air blowing spreading table	I.M.A.	2	19320	38640	Euro	55.75	21.54
3	Transfer manual table	I.M.A.	1	3514	3514	Euro	55.75	1.95
4	Formula "6" Automatic Cutter	I.M.A.	1	166350	166350	Euro	55.75	92.74
5	FULL GENIUS CAD PACKAGE	I.M.A.	1					
6.	DIGI PEN	I.M.A.	1					
7.	Plotter Genius Jet 200 S	I.M.A.	1		32220	Euro	55.75	17.96
	Add: Duty	7.89						
	Total (E)							167.59
	Grand Total							3969.08

Investment in Joint Venture

Our company proposes to invest Rs. 10 Crores in a joint venture company where 50% would be held by our company and balance 50% by joint venture Partner from Switzerland. The joint venture company would manufacture garments, primarily for export globally.

Preoperative Expenses

The Preoperative expenses have been estimated at Rs. 157 lakhs, which includes interest during construction period for average of 12 months (Rs. 132 lakhs), start-up and trial run expenses (Rs. 25 lakhs).

Provision for Contingencies

Contingencies at 2.5% has been provided on non-firm cost of plant and machinery. This includes contingency arising due to foreign exchange fluctuation. It may be mentioned that our company is actively negotiating prices of machineries and therefore the proposed contingency provision is considered adequate by our company.

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Issue Related Expenses

Issue related expenses includes underwriting and issue management fees, selling commission, distribution expenses, legal fees, fees to advisor, printing & stationery cost, advertising expenses and listing fees payable to the stock exchanges etc. The total Expenses for the issue are estimated at Rs [●] lakhs, which is [●] % of the issue size. All the issue related expenses shall be met out of the proceeds of the issue and the break-up of the same is as follows:

Particulars	Expenses	As a % of the issue size
Management fees, underwriting commission and Brokerage	(●)	(●)
Marketing and advertisement Expenses	(●)	(●)
Stationery, Printing and registrar expenses	(●)	(●)
Legal fees, listing fees, book building charges,	(●)	(●)
Miscellaneous	(●)	(●)

MEANS OF FINANCE

Equity Share Capital

Our Company Proposes to raise Rs. [●] Lakhs, which includes ESOP aggregating to Rs. [●] lakhs and balance of Rs. [●] lakhs through issue of equity shares being issued in terms of the Red Herring Prospectus.

Term Loan

The Project is proposed to be financed by way of Rupee term Loan aggregating to Rs 4000.00 Lacs, and the Company has submitted the Term Loan application to Industrial development Bank of India and UTI Bank Limited. IDBI is yet to give sanction for the above Rupee term Loan where as UTI has given in principle sanction for Rs 30.00 Crores vide their letter UTIB/CBE/RMD/08/06-07 dt 24.07.2006.

The expenditure incurred till date on expansion project is met out of internal accruals and no disbursement has taken place from the loan sanctioned.

Schedule of Implementation

We expect the expansion project to commence production by 1st October 2007 for spinning mill and 1st April 2007 for garmenting mill expansion. The details of schedule of implementation are as follows:

S. No.	Particulars	Initial Commencement Date	Initial Completion Date
1.	Acquisition of Land	Already purchased	Already purchased
2.	Development of Land i) Land for Spinning Mill ii) Others	1 st June 2006 1 st June 2006	30 th June 2007. Completed
3.	Civil Work Spinning Mill Civil Others Civil	April 2007 August 2006	December 2007 March 2007
4.	Ordering of Plant & Machinery Spinning Others	1 st March 2007 1 st November 2006	
5.	Purchase of Plant & Machinery Spinning Others	1 st April 2008 1 st April 2007	
6.	Installation of Plant & Machinery Spinning Others	1 st April 2008 1 st April 2007	30 th June 2008 30 th April 2007
7.	Trial Run Spinning Others	1 st June 2008 1 st May 2007	31 st July 2008 31 st May 2007
6.	Commencement of Commercial Production Spinning Others	1 st August 2008 1 st June 2007	

Development of Land for garmenting has been completed and the expenditure incurred on development is Rs. 12.20 lakhs. Because of delay in raising funds from this Public Issue, the development of Land for spinning mill has not yet started.

Deployment of Funds in the Project

Until December 31st 2006, we have incurred Rs. 201.31 lakhs in the expansion project out of our internal accruals. The same has been Certified by the Auditor D.G.Shah & Co., Chartered Accountants vide their Certificate dt 27.01.2007. Details of the amount incurred are as follows:

S. No.	Purpose	Amount
1.	Land	18.79 lakhs
2.	Land Development	12.20 lakhs
3.	Building	68.10 lakhs
4.	Plant & Machinery	102.22 lakhs
	Total	201.31 lakhs

Details of Balance Funds Deployment

Year-wise break up of the expenditure proposed to be incurred on the project is as below:

S. No.	Year Ending	Amount (Rs. In lacs)
1.	31.03.2007	1100
2	31.03.2008	3756
3.	31.03.2009	4030

Working Capital

Currently, we enjoy working capital facilities to the extent of Rs. 4030 lakhs both fundbased and non-fund based and we are also meeting the working capital needs through cash flow from operations. Any increase in working capital requirement for Garmenting will be met out of internal accruals and additional limits from banks. Further for meeting the working capital requirement for Spinning Mill expansion, the management does not foresee any difficulty in raising need based funds in the future.

Interim Use of Proceeds

Pending any use as described above, we intend to invest the proceeds of this issue in high quality, interest / dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorized by our Board or a duly authorized committee thereof.

Monitoring of Utilisation of Funds

Our Board will monitor the utilization of proceeds of the issue. The uses / applications of funds shall be disclosed to Audit Committee on quarterly basis as a part of quarterly declaration of financial results. Further, on an annual basis, we will prepare a statement of funds utilized for purposes other than those stated in the Prospectus and place it before the Audit Committee. Such disclosure shall be made till such time full money raised through the issue has been fully spent. We will disclose the utilization of the proceeds of the issue under a separate head in our balance sheet for financial year 2007 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet for financial year 2007, provide details if any in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments if any of such unutilized proceeds of the issue.

TUBEKNIT FASHIONS LIMITED

ISSUE STRUCTURE

Offer for sale of 5 20 000 Equity Shares of Rs 10/ each and Public Issue of 37 55 000 Equity Shares of face value Rs. 10/- each at a price of Rs. [●] for cash at a premium of Rs. [●] Lakhs (hereinafter referred to as the "Issue"), and the Issue would constitute 25% of the post Issue paid-up capital of Tubeknit Fashions Limited. The Issue is being made through the Book Building Process:

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares	Up to 2 00 000 Equity Shares	Up to 20 37 500 Equity Shares	At least 6 11 250 Equity Shares	At least 14 26 250 Equity Shares
Percentage of Issue Size available for allocation	Up to 5% of the Issue size	Up to 50 % (of which 5% shall be reserved for Mutual Funds), of Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	At least 15% of Net Issue	At least 35% of Net Issue
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate a)1 01 875 Equity Shares shall be allocated on a proportionate basis to Mutual Funds b)19 35 625 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per a) above	Proportionate	Proportionate
Minimum Bid	50 Equity Shares and thereafter in Multiples of 50 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100 000 and in multiples of 50 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1 00 000 and in multiples of 50 Equity shares thereafter.	50 Equity Shares and in multiples of 50 Equity shares thereafter
Maximum Bid	Not exceeding Rs. 1 00 000	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1 00000
Mode of Allotment	Compulsorily in dematerialized mode	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized mode
Trading Lot	One Equity share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Permanent employees of the company on March 31 st 2006.	Public financial institutions, as specified in Section 4A of The Companies Act; Scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, Venture Capital	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRI and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
		Funds registered with SEBI, Foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, providend funds with minimum corpus of Rs. 250 lakhs in accordance with applicable law.		Rs. 1 00000 in value
Terms of Payment	Margin amount applicable to employees at the time of submission of Bid-cum -Application form to the member of syndicate	Margin Amount applicable to QIB Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Non-Institutional Bidder at the time of submission of Bid cum Application Form to the member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate
Margin Amount	Full bid amount on	10% of the Bid Amount in respect of bids placed by QIB bidder	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, Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the company, BRLM and 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.**

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of the Company, will be added back to the Net Issue.

Withdrawal of this Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with this Issue anytime after the Bid/Issue Opening Date without assigning any reason thereof.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	WEDNESDAY, 21ST FEBRUARY, 2007
BID / ISSUE CLOSES ON	TUESDAY, 27TH FEBRUARY, 2007

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 centers 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) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

TUBEKNIT FASHIONS LIMITED

The Price Band will be decided by our Company in consultation with the BRLM.

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

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band, subject to the Bidding Period / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on our web site and/or the BRLM and at the terminals of the Syndicate Member.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 (Rupees Ten only) and the Issue Price is [●] times of the face value.

Investors should read the following summary with the Risk Factors included beginning on page number x to xvi and the details about the Company and the financial statements included in this Prospectus. The trading price of the equity shares of the Company could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

Our Strengths

Experience of our promoters:

Our promoters have adequate experience in the textile industry and we have successfully implemented expansion project earlier. We also have adequate technical and managerial personnel to handle implementation of the proposed expansion project.

Experienced Team with Industry specific knowledge

Our extensive experience in designing, sourcing, marketing and merchandising allow us to deliver end to end solution and effectively addressing customer product requirements. Our design team supported by our marketing and sourcing team is able to meet challenges client specific design requirement.

Integrated manufacturing facility supplemented by judicious outsourcing enables keeping costs under control.

Our company has an integrated manufacturing setup which enables the company to undertake all the activities in the manufacturing process in house. Our company procures yarn as raw material, and the manufacturing process starts with knitting of yarns followed by dyeing, compacting, printing, embroidery, cutting, stitching, button works, finishing and packing. Although our company has integrated manufacturing setup, it also resorts to some outsourcing especially for labour intensive activities, in order to have control over the overheads. The company has developed 12 satellite units which are managed by either the existing employees or ex-employees of our Company. These unit work exclusively for our company.

Diversified customer base with concentration on the EU market

The knitted garments manufactured by our company caters to various segments which may be categorized in terms of age (babies / toddlers / youngsters / adults etc.)

Delivery capabilities

We believe that timely delivery is the most important factor, as garment industry face high fashion risk. Our ability to provide end to end solution from design to delivery supported by global sourcing capabilities and own manufacturing and processing facilities, allows us to consistently deliver on time, maintain a high level of client satisfaction.

Quality Assurance

Each of the company products passes through stringent quality checks. The Quality assurance measures taken by the company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer.

Strong customer base

We continuously receive repeat orders from all our customers. The customer trust has been built on the foundation of our commitment to our quality, providing end to end solution to design, delivery and good human resource practices. Our relationship with key customers span over last 8 to 10 years. Our top 5 customers have remained with us and have consistently increased their business requirement. Sales of our company have grown up at a CAGR of 23.40% over the period 1999-2004 reflecting the acceptance of company garments by the customers.

TUBEKNIT FASHIONS LIMITED

Quantitative Factors

Information presented in this section is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP.

1. Adjusted Earnings per share (EPS) of face value of Rs. 10

Rs. In Lakhs

Period	Adjusted PAT	No. of shares	EPS (Rs.)	Weights
Year ended March 31, 2004	121.95	1,25,20,000	0.97	1
Year ended March 31, 2005	149.31	1,25,20,000	1.19	2
Year ended March 31, 2006	974.37	1,25,20,000	7.78	3
Weighted Average			4.45	6

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●]

- a. Based on year ended March 31, 2006 EPS is Rs. [●]
- b. Based on weighted average EPS of Rs. [●]
- c. Industry P/E
 - i. Highest – 102.1
 - ii. Lowest – 5.9
 - iii. Industry Composite –33.7

* Would be calculated after discovery of issue price through Book-Building.

3. Return on Networth

Rs. In Lakhs

Period	Adjusted PAT	Networth	RONW (%)	Weights
Year ended March 31, 2004	121.95	2311.34	5.28%	1
Year ended March 31, 2005	149.31	2395.77	6.23%	2
Year ended March 31, 2006	974.37	2944.10	33.10%	3
Weighted Average			19.51%	

Return on Networth for the nine months ended 31st December 2006 is 17.50%.

4. Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS....

5. Net Asset Value per Equity Share as at March 31, 2006 – Rs. 23.52

Rs. In Lakhs

Period	Networth	No. of shares	NAV
Year ended March 31, 2004	2311.34	1,25,20,000	18.46
Year ended March 31, 2005	2395.77	1,25,20,000	19.14
Year ended March 31, 2006	2944.10	1,25,20,000	23.52

Net Asset Value per Equity Share as at 31st December 2006 is Rs. 28.48.

Net Asset Value per Equity share represents shareholders' equity less miscellaneous expenses as divided by Number of Equity Shares.

6. Net Asset Value per Equity Share after Issue

The net asset value per Equity Share after the Issue is Rs. [●]

- Issue Price per Equity Share: Rs. [●]
- Issue Price per Share will be determined on conclusion of book building process.

7. Comparison of Accounting Ratios

The comparable ratios of the companies which are to some extent similar in business are as given below:

	EPS (Rs.)	P/E	RONW	NAV(Rs.)
Tube knit Fashions Limited	7.78	[●]	33.10%	23.52
Industry				
Celebrity Fashions Limited	3.3	75.75	20.6	91.10
Zodiac Clothing Limited	8.7	28.3	10.3%	106.10
Gokaldas Exports	22.8	30.88	44.2%	174.00

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending 31st March, 2006.

Source: Capital Market Vol. XXi/03 April 10-23, 2006 – Category- Textiles-Products

TUBEKNIT FASHIONS LIMITED

STATEMENT OF TAX BENEFITS

To

The Board of Directors,
Tubeknit Fashions Limited
S F No. 137, Kancheevaram Nallur
Tirupur

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

Benefits under the Income Tax Act, 1961

As per the existing provisions of the Income Tax Act, 1961 (the IT 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. Tubeknit Fashions Limited and its shareholders.

A. TO THE COMPANY

1. 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, under section 10(34) of the IT Act.
2. Long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the IT Act. 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 the sale of Equity Shares in any company through a recognized 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 day of October, 2004 and such sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.
4. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized 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 such sale is subject to Securities Transaction Tax, as per the provisions of section 111A of the Act.
5. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT 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.
6. The Company will be entitled for 50% Depreciation on Plant & Machinery Purchased under Technology Upgradation Fund Scheme on or after 1st Day of April, 2001 but before the 1st day of April 2004.
7. As per the provisions of Section 54ED of the IT 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.

B. TO RESIDENT SHAREHOLDERS

1. 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 as per the provisions of section 10(34) of the Act.
2. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.
3. As per the provisions of Section 112(1)(b) of the IT 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. Long term capital gain arising from the sale of Equity Shares in any company through a recognized 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, as per the provisions of section 10(38) of the IT Act. Long term Capital Gain benefits as per provisions of Sec. 10(38) of the IT Act are available to investors subscribing to Offer for Sale.
5. Short Term capital gains arising from the transfer of Equity shares in any company through a recognized 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, as per the provisions of section 111A of the IT Act.
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 54EC of the IT 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
8. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the IT 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.
9. In case of a shareholder being an individual or Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT 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.

C. TO NON-RESIDENT INDIAN SHAREHOLDERS

1. 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 as per the provisions of section 10(34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child per year in accordance with the provisions of section 10(32) of the IT Act.
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 IT 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 IT Act, the nonresident 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 IT Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the IT 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 IT Act.
6. In accordance with the provisions of Section 115H of the IT Act, when a Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

TUBEKNIT FASHIONS LIMITED

7. As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the IT 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 IT Act.
8. In accordance with and subject to the conditions and to the extent specified in Section 112(1)(b) of the IT 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 recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st October 2004 and such sale is subject to Securities Transaction Tax. Long term Capital Gain benefits as per provisions of Sec. 10(38) of the IT Act are available to investors subscribing to Offer for Sale.
10. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized 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 54EC of the IT 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.
13. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the IT 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.
14. 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 IT 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
15. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

D. TO OTHER NON-RESIDENTS

1. 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, under section 10 (34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1500 per minor child per year, in accordance with the provisions of Section 10(32) of the IT Act.
3. In accordance with and subject to the conditions and to the extent specified in Section 112(1)(b) of the IT Act, tax on long term capital gains arising on sale of 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 recognized 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. Long term Capital Gain benefits as per provisions of Sec. 10(38) of the IT Act are available to investors subscribing to Offer for Sale
5. As per the provisions of section 111A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized 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 54EC of the IT 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
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT 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.
9. 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 IT 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 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 exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
10. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

E. TO FOREIGN INSTITUTIONAL INVESTORS (FIIs)

1. In case of a shareholder being a Foreign Institutional Investor (FIIs), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the IT 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 recognized stock exchange or a unit of an equity 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 IT Act are not available to FIIs.
2. As per the provision of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.
3. Long term capital gain arising from the sale of Equity Shares in any company through a recognized 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, as per the provisions of section 10(38) of the IT Act. Long term Capital Gain benefits as per provisions of Sec. 10(38) of the IT Act are available to investors subscribing to Offer for Sale
4. 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.

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5. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the IT 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.
6. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the IT 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.

F. TO MUTUAL FUNDS

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

G. TO VENTURE CAPITAL COMPANIES / FUNDS

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

Benefits under the Wealth Tax Act, 1957

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

Benefits under the Gift Tax Act

As no Gift tax is leviable in respect of gifts made on or after October 1, 1998, 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 and will be available only to the sole / first named holder in case the shares are held by joint holders.
2. 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.
3. 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. 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.

**For D. G. Shah & Co.
Chartered Accountants**

**Dharamsi G Shah
Partner
M.No. 3322**

**Place:Coimbatore
Date: 2.02.2007**

SECTION IV: ABOUT US

INDUSTRY

Industry Outlook

Textile Industry is providing one of the most basic needs of the people and it holds importance, maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial Value-addition at each stage of processing; it is a major contributory to the country's economy. The textile and clothing (T&C) sector is an important one in the Indian economy. India's textile Sector is the country's second largest industry, after agriculture.

Textile Industry has a vast potential for creation of employment opportunities in the agricultural, industrial, organized and decentralized sectors & rural and urban areas, particularly for women and the disadvantaged. It contributes significantly to the country's economy.

The Sector is the second largest employment provider after the agriculture sector, employing over 38 million people directly and another 50 million indirectly. It is also India's largest foreign export earner, accounting for 35 per cent of the gross export earnings in trade. Due to its close linkage with agriculture it also has immense potential for employment generation, particularly in the rural and remote areas of the country .

The Textile Industry is very crucial to the Indian economy in terms of its contribution to GDP and employment. It contributes about 4% to the GDP, accounts for over 14% of total industrial production, generates 8% of the central excise revenue and contributes around 30% to total exports. Textiles and clothing items have been significant in India's export basket, accounting for nearly 20 percent of total exports during the 1990s. In 2003, T&C exports were the largest export group, accounting for 23 percent of Indian exports (or \$13 billion).

Although the development of textile sector was earlier taking place in terms of general policies, in recognition of the importance of this sector, for the first time a separate Policy Statement was made in 1985 in regard to development of textile sector. The textile policy of 2000 aims at achieving the target of textile and apparel exports of US \$ 50 billion by 2010 of which the share of garments will be US \$ 25 billion. The main markets for Indian textiles and apparels are USA, UAE, UK, Germany, France, Italy, Russia, Canada, Bangladesh and Japan.

The main objective of the textile policy 2000 is to provide cloth of acceptable quality at reasonable prices for the vast majority of the population of the country, to increasingly contribute to the provision of sustainable employment and the economic growth of the nation; and to compete with confidence for an increasing share of the global market.

January 1, 2005 saw the dismantling of the quota regime (multi fibre agreement) in the textiles and clothing segment .The removal of quotas on textiles and clothing in 2005, under the Agreement on Textiles and clothing (ATC) is expected to have a substantial impact on major exporting countries. India has a competitive advantage stemming from its large and relatively low-cost labor force, a large domestic supply of fabrics, and the industry's ability to manufacture a wide range of products

We believe that all the above factors has opened up large opportunities for growth in textiles and clothing for India in general and in particular for the Company. India is one of the few countries that have a presence across the entire value chain of the textiles and apparel business starting from Cotton yarn, fibre production, spinning, weaving/knitting, processing to garment manufacturing

Structure of India's Textile Industry

Unlike other major textile-producing countries, India's textile industry is comprises mostly of small-scale, nonintegrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labor-intensive, small-scale operations and discriminated against larger scale firms.

Composite Mills

Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, however, these types of mills now account for about only 3 percent of output in the textile sector. About 276 composite mills are now operating in India, most owned by the public sector and many deemed financially "sick."

Spinning

Spinning is the process of converting cotton or manmade fibre into yarn to be used for weaving and knitting. Largely due to deregulation beginning in the mid-1980s, spinning is the most consolidated and technically efficient sector in India's textile industry. However, the average plant size remains small and technology is outdated, relative to other major producers. In 2002/03, India's spinning sector consisted of about 1,146 small-scale independent firms and 1,599 larger scale independent units.

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Weaving and Knitting

Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics. India's weaving and knitting sector remains highly fragmented, small-scale, and labor-intensive. This sector consists of about 3.9 million handlooms, 380,000 "power loom" enterprises that operate about 1.7 million looms, and just 137,000 looms in the various composite mills. "Power looms" are small firms, with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttle less looms account for less than 1 percent of loom capacity.

Fabric Finishing

Fabric finishing (also referred to as processing), which includes dyeing, printing, and other cloth preparation prior to the manufacture of clothing, is also dominated by a large number of independent, small scale enterprises. Overall, about 2,300 processors are operating in India, including about 2,100 independent units and 200 units that are integrated with spinning, weaving, or knitting units.

Clothing

Apparel is produced by about 77,000 small-scale units classified as domestic manufacturers, manufacturer exporters, and fabricators (subcontractors).

Industry Dynamics - Textiles have regained the status of a ' Sunrise Sector'.

India has a natural competitive advantage in terms of a strong and large multi-fibre base, abundant cheap skilled labor and presence across the entire value chain of the industry ranging from spinning, weaving, and made ups to manufacturers of garments.

With total exports of textile and garments of around USD13 billion for FY 2003-04, India accounts for around 3.30% of the world trade in textile and garments and contributes to about 23% of the gross export earnings of the country. Therefore, growth and development of this industry has a significant bearing on the overall development of the Indian economy. [Source: Annual Report 2004-05 of Ministry of Textiles, GoI] According to a recent study by CRISIL, the Indian textile and apparel industry can achieve a potential size of US\$ 85 billion by 2010, with a domestic market size of US\$ 45 billion and nearly 60 per cent of exports comprising of garments.

Due to its close linkage with agriculture it also has immense potential for employment generation, particularly in the rural and remote areas of the country and currently provides indirect employment to around 50 million people. With total exports of textile and garments of around USD13 billion for FY 2003-04, India accounts for around 3.30% of the world trade in textile and garments and contributes to about 21% of the gross export earnings of the country. Therefore, growth and development of this industry has a significant bearing on the overall development of the Indian economy. [Source: Annual Report 2004-05 of Ministry of Textiles, GoI]

ORGANISED SECTOR

Cotton/Man – made fiber textile mill industry is the single largest organized industry in the country employing nearly 10 lakh 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 lakh.

Advantage India

Indian Textile industry has undergone a radical transformation in the past few years and hopes to optimally capitalise on the opportunities of the post quota regime. A high degree of integration, low cost labour and strong raw material base with proximity to cotton growing areas lend credibility to the country's global competitiveness.

Third largest producer of cotton

Cotton, a key raw material in the textile and garment industry, accounts for nearly 55% of yarn cost, 30% of fabric cost and 13% of garment cost. India is world's third largest producers of raw cotton with the world's largest acreage under cotton cultivation (9 million hectares!) and hence has an edge over many other countries. The availability of local or regional raw material greatly improves a country 's ability to respond to orders with shorter lead times. As purchasers consolidate and rationalize their sources, the degree of vertical integration in countries or firms becomes an important competitiveness factor.

As the availability of cotton continues to remain strong with improving yields, India's position as a strong cotton player will be further fortified, and this will continue to keep the Indian textile players' access to quality raw material cushy. Though yields in India have risen over the last few years, there is still an ample scope for improvement from current levels, indicating that India still reserves plenty potential to increase its cotton output.

Capacity

India has not only one of the largest installed spindleage base but also one of the most modern installations in the world. Over 40% of India's spindleage capacity is less than a decade old, making it one of the world's most modern installations for yarn manufacturing and making India one of the most contemporary spinners of cotton yarns. 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 34.23 million as on 28.2.05 and rotors from 2.76 lakh as on 31.03.97 to 3.85 lakh as on 28.02.05.

Growth in capacity in the organised 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
28-02-2005	1,566	223	1,789	34.23	385	86

The loomage has however, declined from 1.24 lakh in March 1997 to 0.86 lakh in 28.2.2005 in the organized sector. The growth of capacity in spinning and weaving sectors of the industry since 1997-98 is as in the above table

Spinning

Spinning is the industry's most technologically sophisticated segment and currently, India has the second largest spindleage, (around 20% of total capacity) in the world. Most of India's cotton spinning is performed in the State of Tamil Nadu (cities of Coimbatore and Tirupur) and Punjab, whereas spinning of manmade fibres takes place principally in the State of Punjab. India's export-oriented spinning segment is internationally competitive and is made up of mostly medium- and large-scale factories. Cotton dominates India's spinning segment and accounts for more than 55 percent of the value of yarn production. The Indian spinning segment has an 80% capacity utilization rate and continues to be the top exporter of cotton yarn in the world with a share of 25% in the world cotton yarn trade.

Exports of Cotton yarn (Million Kgs)

Year	India	China	Pakistan
1999	474	174	455
2000	467	211	534
2001	463	246	561
2002	505	388	551
2003	541	504	504

Source : ICA – World Textile Demand Nov 04

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PRODUCTION OF SPUN YARN:

The production of spun yarn increased from 3160 million kgs during 2000-01 to 3,051.81 during 2003-04 and is anticipated to reach 3,221.37 million kg during 2004-05. A statement showing the production of spun yarn (including SSI units) during the last four years along with anticipated figures for the current year is at Table 2.2

(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	2,272	585	366	3,223
2005-06 (A)	2,434	585	392	3,411

A = Anticipated

PRODUCTION OF CLOTH

PRODUCTION OF FABRICS IN DIFFERENT SECTORS

(Mn. Sq. Mtrs.)

Fibre	Mill Sector			Handloom Sector			Powerloom Sector			Hosiery Sector		
	2004-05	2005-2006 (Apr-Sep) (P)	2005-06 (A)	2004-05	2005-2006 (Apr-Sep) (P)	2005-06 (A)	2004-05	2005-2006 (Apr-Sep) (P)(P)	2005-06 (A)	2004-05	2005-2006 (Apr-Sep)	2005-06 (A)
Cotton	1049	521	1042	4792	2589	5178	7361	4263	8526	7430	4078	8155
Blended	243	121	242	146	81	162	4526	2332	4663	1117	576	1152
100% Non Cotton	211	105	209	784	373	747	16438	8219	16438	565	261	523
Total	1503	747	1493	5722	3043	6087	28325	14814	29627	9112	4915	9830

The textile products registered a growth rate of 18.2% in 2004-05 as compared to a negative growth of 3.2% in 2003-04 (Table 2). All other segments in textiles registered good growth. The spun yarn segment grew by 5.5% hosiery segment grew by 14.7% and the cloth production increased by 7.1%. (Fig. 2 & 3).

Table 2 : Growth of Textile Products

Industry Code	Description	Weight	Cumulative Index			%age Growth	
			2002-03	2003-04	2004-05	2003-04	2004-05
23	Cotton Textiles	55.18	121.2	117.4	126.4	-3.1	7.7
24	Wool, Silk & Man-made Fibre Textiles	22.58	225.1	240.5	247.0	6.8	2.7
25	Jute & Other Veg. Fibre Textiles (except Cotton)	5.9	107.9	103.4	107.2	-4.2	3.7
26	Textile Products (including Apparels)	25.37	190.3	184.3	217.9	-3.2	18.2
	Manufacturing (Total)	793.58	183.1	196.6	213.9	7.4	8.8
	General Index		176.6	189.0	204.2	7.0	8.0

Source : Ministry of Textiles

Fig 2: Growth in Spun Yarn Production

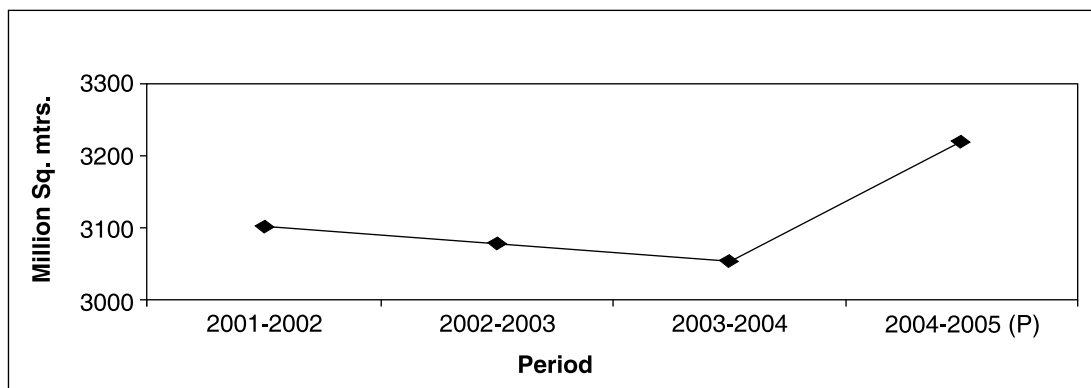
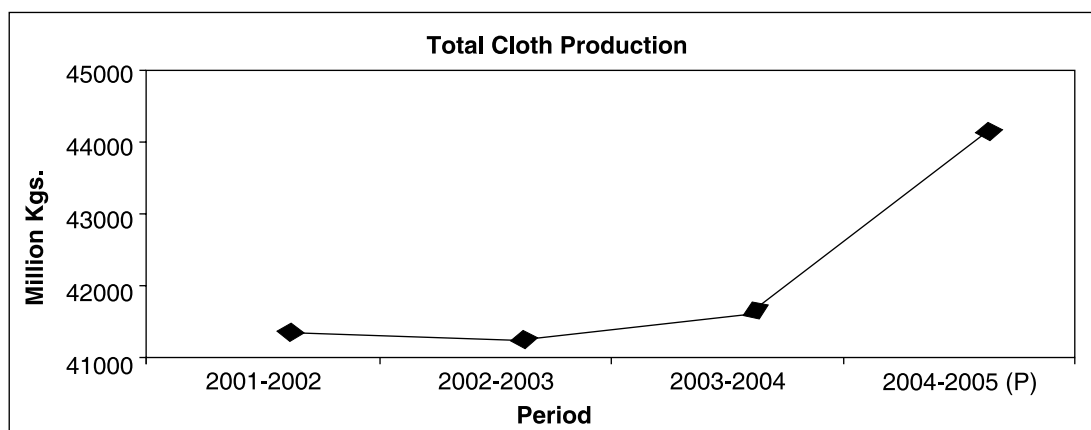


Fig 3: Growth in Cloth Production



Large low cost manpower base

Textiles is amongst the highly labour intensive industries globally and countries with a low cost labour advantage, such as China and India that also have a strong fibre base enjoy a strong competitive edge over other textile manufacturers. According a study by Washington Post, the wages of Indian textile workers are the second lowest in the world, the lowest being those of Cambodia (US\$ 0.32 an hour). India pays on an average US\$ 0.38 an hour compared to China's US\$ 0.68 an hour. Moreover, India with a very large pool of cheap skilled and unskilled workers employed on a 48-hour, 6-day workweek is expected to remain competitive on cost fronts and a natural choice for outsourcing textile requirements.

Government Initiatives

Technology Upgradation Fund (TUF)

Under the TUF scheme, textile-manufacturing units are eligible for long and medium term loan from IDBI, SIDBI and IFCI, at interest rates that are 5% lower than the normal lending rates of banks for modernisation & upgradation of the industry. The off take from the TUF by the units was quite low due to uncertainty of the opportunity. But now with the approaching dismantling of quotas the units have been quite upbeat about the opportunity and are utilising this benefit. Moreover, now the government is even exploring the possibility of increasing the subsidy to 8%, which we believe should further hasten the large amount of investments in the industry and improve competitiveness of the industry. With these efforts, another three million spindles have been installed in past three-odd years and pace of investment has considerably picked up since the Budget 2004-05 announcement. Spinning industry is the second largest beneficiary of TUF scheme.

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Indian textile market fastest growing in 2004'

Growth in Major Markets

Country	Approx Size(\$)	Estd.Growth(%)
India	26	8
China	45	6-8
USA	250	5
UK	80	-8
France	40	-8
Italy	55	-4
Germany	95	-2
Japan	75	-14

India is emerging as the fastest growing textile market, while several of the Western markets, including the UK, France, Italy and Germany seem to have reached saturation, according to KSA Technopak data. Indian textile players make a beeline for the US and the EU markets, it is back home that the textile market is really growing.

Albeit on a comparatively smaller base, the domestic textile and clothing market was the fastest growing in 2004, clocking around 8 per cent. The Indian textile and clothing market, which was worth around \$26 billion in absolute terms last year, is expected to grow into a \$55-billion market by 2016. In fact, the Indian market could be bigger than the projected size of the Japanese, German, French and the Italian markets by 2016, according to KSA Technopak data.

(Value US\$ in million/Rs. In crore)

S. No.	Sector	Target 2005-06	Apr-Nov, 2004		Apr-Nov, 2005 (Provisional)		% increase / decrease of 2005 over 2004		% target achieved (US\$)
			US\$	Rs.	US\$	Rs.	US\$	Rs.	
1	Readymade Garment	6450	16014.7	3519.0	18437.5	4185.2	15.1	18.9	64.9
2	Cotton Textiles	4200	10116.5	2223.0	10181.8	2311.2	0.6	4.0	55.0
3	Man-made textiles	2200	5956.3	1308.8	5026.2	1140.9	-15.6	-12.8	51.9
4	Wool & Woollen	400	1343.1	295.1	1277.0	289.9	-4.9	-1.8	72.5
5	Silk	625	1686.8	370.7	1752.5	397.8	3.9	7.3	63.6
	Total (excluding handicrafts, carpets, jute & coir)	13875	35117.3	7716.5	36675.0	8325.0	4.4	7.9	60.0
6	Handicrafts (a +b)	1355	2948.8	647.9	3187.1	723.5	8.1	11.7	53.4
	a) Carpets	600	1777.6	390.6	1988.1	451.3	11.8	15.5	75.2
	b) Other Hand	755	1171.2	257.3	1199.1	272.2	2.4	5.8	36.1
7	Coir	85	596.5	65.2	345.4	78.4	16.5	20.3	92.2
8	Jute	250	790.5	173.7	806.1	183.0	2.0	5.3	73.2
	TOTAL (including handicrafts, carpets, jute & coir)	15565	39153.1	8603.3	41013.6	9309.8	4.8	802	59.8

EXPORTS OF TEXTILES

Textile exports recorded a growth of 14% in 2003- 2004. During the period April-November 2004, textile exports were US\$ 5941.6 million, recording a growth of 16.5% as compared to the corresponding period of previous year. For 2004-05 the target for the export of textiles has been fixed at US\$ 15,160 million, against US\$13,500 million set during 2003-04.

SECTOR-WISE ANALYSIS

(i) Readymade Garments:

Readymade garments account for approximately 42% of the country's total textile exports. In the year 2002-03 and 2003-04 they logged a growth of 15.5% and the sector has registered a growth of 9.2% in rupee terms during the period April – Sep 04 as against that of the previous year. During April- exports totaled US\$ 34.5 million, recording a growth of 2.1% as compared to the corresponding period of previous year.

(ii) 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 14.6% in 2003-04. During the period April-November 2004, cotton textile exports including handlooms were US\$ 2144.1 million, recording a growth of 5.4% as compared to the corresponding period of the previous year.

(iii) Man-made Textiles

The export of man-made textiles has recorded a growth of 30.2% in 2002-03 and 20.4% in rupee terms during the year 2003-04. During the period April-November 2004, man-made textiles exports were US\$ 1286.6 million, recording a growth of 12.9% as compared to the corresponding period of the previous year.

(iv) Silk Textiles

The export of silk textiles recorded a growth of 3.3% in 2002- 03 and registered a growth of 19.8% in rupee terms during the year 2004. During the period April- November 2004, silk textiles exports were US\$ 365.0 million, recording a growth of 15.1% as compared to the corresponding period of previous year.

(v) Woollen Textiles

The exports of woollen textiles declined by 6.8% in 2002- 03, compared to the previous year and registered a growth of 45% in rupee terms during the year 2004

Fall in raw material prices helps textile companies weave a growth story.

The quarter ended December '05 has brought good news for the textile industry. After witnessing a contraction in profit in the previous quarter, textile majors have recorded an expansion in both operating and net margins. This has been accompanied by both top line and bottom line growths. A major reason for margin expansion has been the decline in raw material prices, particularly cotton prices. The performance of textile companies in the quarter ended December '05 may be a harbinger of good tidings in the future. Capital expenditure in the industry is taking place at a fast pace to tap the post quota markets of Europe and US. The textile products continue to play an important role in the total export basket of the country.

GARMENTS INDUSTRY GEARS UP TO MEET THE FUTURE CHALLENGES

The domestic garment industry like its textile counterpart, comprises organized as well as the unorganized sector. The unorganized sector largely consists of job workers who carry out jobs given by their principals, under their supervision. The organized sector generally consists of unit having a minimum of 10 sewing machines under one roof. This sector also covers large brands having in the vicinity with overseas partners. The organized sector is, by and large, updated with modern technology, has economies of scale, is cost-competitive and is in a position to execute orders on time.

The garment industry produces over 100 varieties of garments for different end-uses. Additionally, a section of the industry concentrates on manufacture of ethnic garments, or what are traditionally called "India Items". Exports of textiles (including garments) from India are worth around US \$14 billion of which the share of garments is close to US \$6.5 billion. The country is aiming at an exchange earning of US \$50 billion by 2010. At the current rate, the country bids fair to reach the target.

The per capita consumption of garments in India is barely 6 pieces per annum whereas in countries like US (much smaller in population than India), it is close to 100 pieces per year. Thus, the scope in India is vast.

KNITWEAR INDUSTRY IN TIRUPUR

Tirupur is a textile town in Coimbatore District of Tamil Nadu and is popularly known as Banian City / Knit City. Tirupur is situated at 50 Kms. East of Coimbatore and the Municipal area of town is spread over 27.20 Sq.Kms. with a population of

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around 7.00 lakhs. Tirupur is a Centre for cotton market and Cotton Ginning Factories. Though Cotton Trading and Ginning operations has shrunk, Tirupur is still a popular market for unginned cotton Tirupur is a textile town where commerce precedes everything.

During 1970's this town was mainly producing under garments. Viz., banians and underwears consumed largely by the domestic market. Fortunes took dramatic turn in the early 1980's when Tirupur suddenly woke up to launch its entry into its export arena. Early in the 80s, export of knitwear, mainly basic T-Shirts were made in small quantities. Export of other items of knitwear gained momentum from 1985 onwards.

Tirupur's gain stems from its performance in technology and the quality of its macro economic environment. It also derives much of its ascent from improved perception of its public service. Buyers from 35 countries frequently visits Tirupur regularly. Tirupur can deliver customized samples in less than 12 hours; half a million pieces in a matter of days. 56% of India's total knitwear exports come from Tirupur. No doubt, the Export Import Policy of 2002-07 makes laudable tribute to Tirupur for its contribution to the export efforts and calls it a 'Town of Export Excellence' The rich availability of Raw materials, being in close proximity to Coimbatore which is a major centre of cotton spinning industry in the Country makes Tirupur being able to access its basic raw materials quickly and as and when required; the strong entrepreneurial élan and personalized management contributes to efficient management of negotiations and direct control of operations causing cost effective competitiveness of the Industry; quick delivery and quality products add dimension to Tirupur's prowess as a centre to outsource excellent products.

This dramatic transformation of Tirupur from domestic market to international market is mainly attributed to the fact that most of western countries started disbanding their garments manufacturing due to pollution and high cost of labour. Concurrently, the Asian Tigers Japan, Hong Kong, Taiwan and South Korea started moving to hi-tech areas thus enabling Tirupur to capitalize the opportunity of penetrating into the European Market.

With a beginning of Rs.19 Crores in the year 1985, exports of knitwear from Tirupur rose to Rs.3937 crores during the year 2003. In the late 80s, Knitwear Industry diversified very quickly and took up manufacture and export of other outer garments Viz. Cardigans, Jersey, Pullovers, Ladies Blouses, Dresses and Skirts, Trousers, Nightwear, Sportswear and even Industrial wear, with the commendable interest shown by the Entrepreneurs and with the support from the Government in the form of higher investment limit allowed for ancillary industrial undertakings including Hosiery Industry to avail facilities of SSI Units. With this impressive growth over a period of about two decades, Tirupur has emerged as the Country's highest knitwear Export Centre. In terms of quantity also there has been a parallel growth pattern. Having exported 172 lakh pieces in the year 1985 the number of pieces exported during the year 2003 stands out at a gigantic figure of 3704 lakhs pieces.

Besides, knitwear units catering for exports and local markets, there is a large number of other ancillary and supporting industrial units operating for manufacture of elastic tapes, cartons, printing of labels, polythene bags and other packing materials

The main reason for the successful phenomenal growth rate in exports of knitwear items from Tirupur over a period of about two decades, ultimately goes to its export culture, which is not found anywhere else and also due to the following:-

- Easy availability of Hosiery yarn
- Availability of cheap/rural labours
- Flexible attitude of entrepreneurs in meeting demands of the buyers as size of the order is not a constraint.

The composition of the knitwear industry in Tirupur is broadly classified as under as per the analysis/data provided by Tirupur Exporters' Association:

Knitting and / or stitching units	2500
Dyeing and / or bleaching units	750
Printing Units	300
Embroidery Units	100
Other (compacting, raising, Calendaring)	200

INFRASTRUCTURE FACILITIES IN TIRUPUR

In order to augment the export of knitted garment an Inland Container Depot was opened in Tirupur.

A Knitwear Fashion Institute in collaboration with National Institute of Fashion Technology (NIFT) and TEA-NIFT has been set up to conduct diploma courses and certificate courses with a duration of 3 years and one year respectively. 300 students are admitted each year in the institute. Short-term courses with a duration of one month to 3 months are also offered to the persons already employed in the industry.

In its endeavour to produce excellent work, AEPC has set up an AEPC-SITRA Knitwear Service Centre, which has been functioning in Tirupur. It offers services such as testing of samples of various quality entrepreneur development programmes, imparting training in various disciplines of garment manufacturing, etc

FASHION IN KNITWEAR INDUSTRY

Knitwear industry has clearly identified the definition of fashion meaning thereby combination of many things put together and corresponds to feeling of something. Fashion is mainly dependable on industry and society in a probationary manner. Creation of hi-style and value added knitted garments are instrumental in driving out the value-hidden stuff of the knitwear exporters with a motive that it reaches the intending onlookers who believe in right choice of selection

PRESENT SCENARIO

Export of knitwear products from Tirupur has recorded a growth, both in quantity and value in terms of US Dollars during calendar year 2003 compared to the previous calendar year. Tirupur exported 370 million pieces worth \$ 793 million of knitwear products during the year 2003 compared to 349 million pieces valued at \$ 667 million shipped during the year 2002.

CHANGING THE SCENARIO

Knitting industry in Tirupur has emerged as a premier supplier of value added items earning high foreign exchange. For the past 6 years, there was a phenomenal change in technology and large number of sophisticated computerized knitting and embroidery machines, full fledged processing units, individual machines, compacting machines and other machinery required in knitwear manufacturing have been imported. Moreover exporters have started concentrating on value added products and high unit value realization.

DETAILS	YEAR	QTY.IN LAC PCS	VALUE IN LAC USD	VALUE IN CRORE INR
Tirupur	1996	2,574 (47.87%)	5,443 (38.29%)	1,892 (38.16%)
Knitwear	1997	2,943 (46.54%)	6,042 (37.77%)	2,214 (37.81%)
Exports as A	1998	3,385 (49.63%)	6,168 (37.91%)	2,540 (37.79%)
% to all India	1999	3,680 (48.52%)	6,897 (36.58%)	2,968 (36.55%)
Knitwear	2000	4,104 (49.58%)	7,616 (37.28%)	3,423 (37.29%)
Exports	2001	3,724 (51.87%)	7,186 (40.30%)	3,389 (40.30%)
		3,448 (52.83%)	6,667 (41.78%)	3,239 (41.78%)
		3,704 (54.57%)	7,935 (43.62%)	3,700 (43.61%)
Jan-Mar	2002	1,187 (55.26%)	2,327 (43.05%)	1,112 (43.08%)
Jan-Mar	2003	1,243 (56.17%)	2,826 (47.20%)	1,279 (47.25%)

Source:apc India

Tirupur's contribution to the total value of readymade garment exports (woven and knitted) from the country went up during the 2003 compared to 2002. Meanwhile exports for the 2004 calendar from the knitwear town looks positive

Key Facts on Tirupur's garment industry:

- Tirupur is one of the largest foreign exchange earning towns in India. Last year, the export turnover from the town was more than Rs 5,000 crore (Rs 50 billion). There are some 7,000 garment units in the town that provides employment opportunity to close to one million people.
- The first spot of any international buyer for Indian garments is Tirupur. Buyers from 35 countries frequently visit Tirupur. Tirupur can deliver customised samples in less than 12 hours; half a million pieces in a matter of days.
- Fifty-six per cent of India's total knitwear exports come from Tirupur. The Export Import Policy of 2002-2007 makes laudable tribute to Tirupur for its contribution to the export efforts and calls it a 'Town of Export Excellence.'

For the booming Tirupur knitwear export industry, the mounting orders from importers this year may sound good augury. But the surge in orders has led to gaps in the manpower planning for a labour-intensive industry in Tirupur, which is heavily dependent on outside labour both for the skilled and unskilled jobs.

What is more, the recent rains have further accentuated the dearth of labour for the Tirupur industry. Large-scale absence of migratory labour, which has left Tirupur units to resume farming activities in the light of copious water now available for

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cultivation, is acutely felt by the knitwear units. Even as the knitwear exporters have gone about enhancing their production capacity to match the market demands, the shortage of labour is a stark reality for them now.

With the quotas having been lifted, a new enthusiasm pervades Tirupur. Much of it is on display across the town's streets and interiors. The clusters of textile manufactures across the streets after the dismantling of the multi-fibre agreement wear a different, vibrant look.

RISK

But there is a darker side to Tirupur. Amidst the prosperity that has befallen this textile town, many ills afflict it. These include potholed roads, acute shortage of water, environmental pollution and virtually non-existent sewage systems.

The discharge of salts in effluent from the dyeing factories in Tirupur has led to large-scale environmental degradation

Demand for skilled workers: Going by the current level of capacity expansion happening in the garment production units in Tirupur, the annual demand for skilled workers (mostly for the tailor/cutting masters categories) is now estimated to be between 25,000 and 30,000. But given the low productivity of the existing labour and the very high turnout ratio among the skilled workers, the garment units in Tirupur on expansion mode are compelled to look for training of workers rather seriously

Opportunities and Threats

The opening of the international markets has thrown a host of opportunities with new markets opening up, each with its own unique set of challenges. The Company also is now exporting larger volumes which are converted within India. The margins, though, are under pressure due to severe competition from other countries.

The Company will continue to stress on improving quality standards, reducing lead-time in supplying orders, competitive pricing of products and more stress on product innovation and designing to meet the new set of challenges. The competition will not only intensify in the international markets but also in the domestic markets. Further, the developed countries may increasingly resort to protectionist measures to protect their domestic textile & clothing industry, which has been severely impacted by the import of low cost good quality products from countries like China and India.

Inflow into India of spurious fabric material, counterfeit, fake and misleading selvedge descriptions continues. However, recognising the threat these spurious imports pose if continued unchecked, recently the Government has issued a fresh notification providing for confiscation of such material. Further strengthening of the rupee will also impact export realisations. Rising oil prices could feed through to higher input prices.

OUR BUSINESS

Overview

Our company has an integrated manufacturing setup in Tirupur which enables the company to undertake all the activities in manufacturing process in-house. Our company has been one of the leading exporters of hosiery garments for about two decades. It was set up as a partnership firm in 1988. It was reconstituted as a private limited company in 1996 and converted into a public limited company in 1999. Our company has grown continuously to reach the present height and has developed a fully integrated vertical setup. We cater to the demand of leading International brands. We have over last two decades grown to a separate Dyeing unit ,knitting unit and stitching unit covering totally 139000 sq.ft. employing 1089 employees directly and 1200 employees indirectly.

Presently, we derive almost the entire revenue from export of knitted garments. Our company has over two decades of experience in this business, mainly European Union, where it has earned a niche for itself by focusing on the high style garments. Our manufacturing facilities are spread across 4 locations, in and around Tirupur fully backed up by the facilities for product development, design studio and efficient sampling infrastructure to provide quality service to customers.

The company over a period of time, has expanded its capacity to 38,000 pieces per day, which has enabled it to become one of the largest exporter of knitted garments in Tirupur.

Our Goal

To become a powerful business setup effectively moving up in the value chain, achieving greater economies of scale and tapping the old markets with its unique styling

To continuously upgrade and benchmark systems and processes to achieve complete customer satisfaction.

To maintain high standards of investor relations, corporate governance and work-place practices

Our Strengths

Experience of our promoters:

Our promoters have adequate experience in the textile industry and we have successfully implemented expansion project earlier. We also have adequate technical and managerial personnel to handle implementation of the proposed expansion project.

Experienced Team with Industry specific knowledge

Our extensive experience in designing, sourcing, marketing and merchandising allow us to deliver end to end solution and effectively addressing customer product requirements. Our design team supported by our marketing and sourcing team is able to meet challenges client specific design requirement.

Integrated manufacturing facility supplemented by judicious outsourcing enables keeping costs under control.

Our company has an integrated manufacturing setup which enables the company to undertake all the activities in the manufacturing process in house. Our company procures yarn as raw material, and the manufacturing process starts with knitting of yarns followed by dyeing, compacting, printing, embroidery, cutting, stitching, button works, finishing and packing. Although our company has integrated manufacturing setup, it also resorts to some outsourcing especially for labour intensive activities, in order to have control over the overheads. The company has developed 12 satellite units which are managed by either the existing employees or ex-employees of our Company . These units work exclusively for our company

Diversified customer base with concentration on the EU market

The knitted garments manufactured by our company caters to various segments which may be categorized in terms of age (babies /toddlers / youngsters / adults etc.), sex and usage (casual, sports wear, sweat shirts, pullovers etc.) Our company manufactures all these categories across the age groups from babies to adults.

Delivery capabilities

We believe that timely delivery is the most important factor, as garment industry face high fashion risk. Our ability to provide end to end solution from design to delivery supported by global sourcing capabilities and own manufacturing and processing facilities, allows us to consistently deliver on time, maintain a high level of client satisfaction.

Quality Assurance

Each of the company products passes through stringent quality checks. The Quality assurance measures taken by the company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical

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methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer.

Strong customer base

We continuously receive repeat orders from all our customers. The customer trust has been built on the foundation of our commitment to our quality, providing end to end solution to design, delivery and good human resource practices. Our relationship with key customers span over last 8 to 10 years. Our top 5 customers have remained with us and have consistently increased their business requirement. Sales of our company have grown up at a CAGR of 23.40% over the period 1999-2004 reflecting the acceptance of company garments by the customers.

Our Strategy

Expansion of Business

We intend to expand strengthen and consolidate our current position in the global market. We propose to expand our product range and increase product reach in the international out-sourced garment business.

Backward integration of our manufacturing process

We are into the manufacture of knitted garments. Presently, we do not have facilities for manufacturing of yarn as which is one of our major raw material. Absence of yarn manufacturing facilities requires us to purchase yarn from outsiders. Our strategy is to have in-house facilities for this activities so that we become self-dependent and competitive in terms of turnover, time and quality.

Continued focus on innovative design

Being in the high style segment, the international garment market is characterized by shorter life cycle of design with styles changing from season to season. We have fully equipped facilities to come out with innovative design which make our garments more of a fashion product than a commodity products and thus proving better in terms of price realization. Our strategy is to further improve on design development.

Further widening of our customer base

With proposed expansion of garment capacities and growing opportunities available in the post quota region, we intend to continue to grow our business by adding new customers in the existing and new geographies, new market segments. We are looking towards expanding customer base in Europe and United States of America.

Brand building in domestic market

We intend to invest in developing and enhancing recognition of our brands, through brand building efforts, communication and promotional initiatives such as advertisements in print media, hoardings, and televisions organizing events, participation in industry events, public relations and investor relations efforts.

Our Business Model

We are a integrated vertical setup operating in the manufacture of hosiery garments. Our presence in the total value addition chain in textiles is indicated below:

Yarn(Spinning)	Knitting	Dyeing (Yarn and Fabrics)	Printing & Embroidery	Garments
..	✓	✓	✓	✓

✓ Denotes our presence in business segment

.. Activity proposed under new expansion project

Our Manufacturing Capacities

Presently we are in the business of manufacture of hosiery garments for exports. We have an integrated facility of yarn dyeing, Knitting, processing of grey fabrics and manufacture of garments including processing thereof and packing of garments all at one location. Under the expansion project, we shall be setting up a spinning mill producing 15000 Kg of Yarn per day. The following table set forth our existing manufacturing capacities:

Activity	Existing Capacity	Capacity under the expansion project	Capacity post expansion
Spinning	Nil	15 Tons per day	15 Tons Per day
Knitting	8 Tons Per day	8 Tons per day	
Dyeing			
Yarn	1.8 Tons Per Day	1.0 Tons Per day	2.8 Tons Per day
Fabric	10 Tons Per Day	10 Tons Per day	
Garment	1.5 Tons Per Day	1.0 Ton Per day	2.5 Tons per day
Garment Manufacturing	38000 pcs Per day	40000 Pcs per day	78000 pcs Per day

Brief description of steps in garment manufacturing are as follows:

Procurement of Yarn

When procuring yarn, we check the following key variables against the specifications to ensure adherence to quality

- Average yarn count
- Strength, and CV of strength and count
- Imperfection level (Thick and thin places)
- Twist per inch (TPI)
- Count strength product (CST)

Yarn quality has a substantial influence not only on the properties of the fabric but also on the efficiency of fabric production and the appearance of the final dyed and finished fabric.

Yarn Knitting

Count wise packages as per requirement are created on knitting machine as per number of feeder or fabric structures with the help of compressed air suction devices.

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.

Machine have a Counter systems based on revolution for required roll weight. After completion of the given weight counter fabric rolls are removed from the machine.

Yarn Dyeing

This is the Most Important part of Processing. The Coloration is done at this stage. Our Company uses reactive dyes of different Brands. Reactive dyes are fixed on the cotton by soda ash or any other Alkali and exhausted to the Fabric from the dye bath with Electrolytes. Two types of electrolytes used namely sodium chloride and sodium sulphate. In the Dye bath other types of auxiliaries are also added to control the levelness and migration of dyes. This Process is 60 to 90 minutes depends upon the shades. Once the shade is attained to the Original, the dyeing is over and the substrate is ready for after treatments.

Fabric Dyeing

In fabric Dyeing the Company Uses "Thies" and "Then" machine of German origin. Both the machine are full automatic. The Company has got different dyeing control systems like BARCO ZADO, SEETEX and local controllers. The programs are fed in to the system and selected according to the need of usage.

Compacting

Global market demand fabrics and garments having consistently low levels of potential shrinkage. We maintain the potential shrinkage below the required level with one of the best compacting machines in the market made by Tubetex of USA.

Printing

The print quality on a fabric (in the case of all over print) or garment (chest prints & other placement prints) depends on the colour fastness. We ensure this by uses of high quality inks and continuous inspection after every process.

Stitching

Our factory is equipped with world class machines for high quality stitching of all kinds. A highly committed team works for maintaining the high quality standards expected by our buyers. Even after the final approval of p.p sample by the buyer, bulk

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production is taken up only after a small sample size is produced and approved by the q.c. after comparison with the approved sample. During the bulk production also, inspection is done at various stages to ensure that the measurements and other quality standards are not violated. After finishing and ironing, a random sample check is done to ensure that defects if any, are well within the AQL level, this is done prior to offering the goods for inspection to the nominated inspection agent.

Embroidery

We have the world famous BARUDAN embroidery machines in our premises. Since, the quality of embroidery gives the final appearance to the garment; we take most care in maintaining the sharpness and neatness of the stitches in embroidery.

Fabric Possibilities and various Finishings

100% Cotton: Cotton in all kinds of Jerseys, interlocks, ribs, minimal structural designs, Y/Dyed's, allover prints, Piques of different structure etc.

Cotton / Lycra: Also in most of the above fabric qualities, may be 95% cotton 5% Lycra or 90% cotton 10% Lycra depending upon the designs

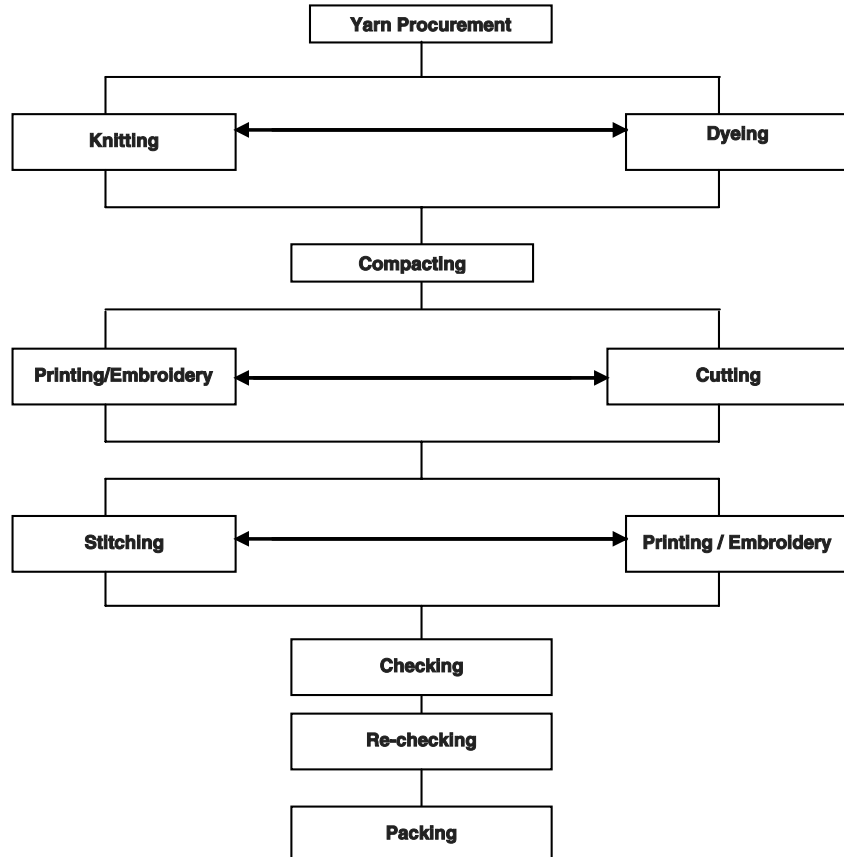
Cotton / Viscose and Cotton Modal: Mostly 50% Cotton 50% Viscose or 75% Cotton 25% Viscose in solids & yarn dyed fabrics as mentioned earlier. In case of modal, we can easily get 65% Cotton & 35% Modal, 100% modal, 50% cotton & 50% modal, 80% cotton & 20% Modal. Samples in mélanges for modal are not possible, as they need a minimum of 1000 kgs per colour way in case of mélanges.

100% Polyester as well as micro polyester, (available in INDIA right now) or 65% Polyester & 35% cotton, 50% Polyester & 50% Cotton, 35% Polyester & 65% Cotton, 20% Polyester & 80% Cotton, 20% Cotton & 80% Polyester are all possible here. Since it is a blended yarn we can knit any structure mentioned in point no.i and also can be dyed by using double dyeing method.

We can do lot of finishing like enzyme finish, silicon with enzyme finish, bio polish finish where we can get excellent feel with out pilling. Garment dye, garment wash, acid Wash ,space dyed, tie & dye with lot of effects are also possible. We can also do all over sequece and also all kinds of swaroski stone work.

Garment manufacturing

Process Flowchart of Manufacture of Garments



Manufacturing Process of Cotton yarns 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 and 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. 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 sliver 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 to drawing and high speed twisting of roving bobbins is carried out on Ring Frames until the required Count is achieved. Now, Cotton Yarn becomes ready for winding.

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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 fed 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.

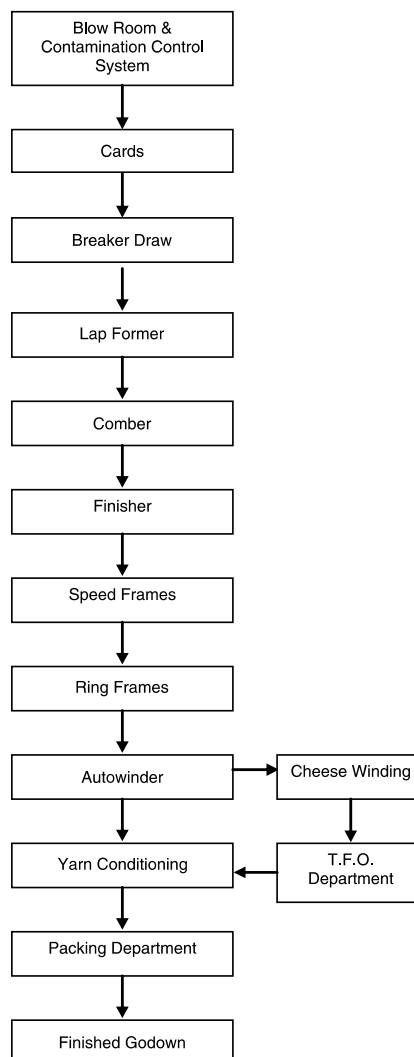
Yarn Conditioning Department

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 packed in poly-bags and put into cartons or packed as pallet as per the request of the customer.

Process Flow Chart for Ring Spinning



Export Process

We are an established exporter to various overseas market. We are exporting knitted garments to Europe and United States of America. We are now concentrating on developing export to other territories too. Our Managing Director, Mr. P. Parthasarathi has been traveling extensively abroad to keep track of the latest fashion trends and technology scenario in the garment industry and participating in fashion exhibitions conducted worldwide. Our expertise in design of fabrics as per customer specification, garment design and garment samples meeting the stringent quality required have made a preferred garment supplier to customers from Europe.

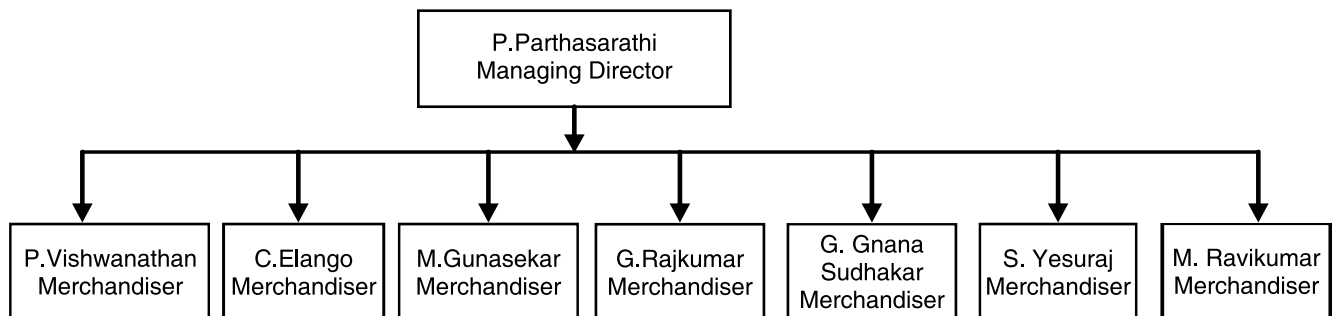
We have earned reputation for our quality products and prompt delivery and have significant brand goodwill among overseas buyers for our garments. In addition to the above, we are now focusing on significant reduction in turnaround time. This one aspect will give us access to large number of customers who prefer to source their garments from other countries just because those suppliers offer a less than 30 days delivery.

Marketing and Merchandising

Participating in fashion exhibition conducted worldwide is an important marketing activity in the marketing calendar. The company also participates in the local fair arranged in Tirupur itself for exporters. During these fairs, we meet lot of prospective buyers and they see our products on display. These fairs and exhibitions are well received by the market and during the fairs there is an active interaction with the exporters and this helps in planning for the future. Our success has been due to the regular participation in fairs and exhibitions.

The merchandising department acts as liaison between design and manufacturing facilities. Maintaining time and action plan for merchandise movement from design to retail is one of the key functions. Each merchandiser is responsible for 4 to 5 overseas buyers requirement. The merchandiser is allocates the order to the dedicated production facility.

Marketing Flowchart



Our Customers

We sell our products to major stores and leading brands in United Kingdom, Netherlands, Germany, France and Denmark.

Customer sales growth and geographical segmentation of our sales for the last three years is as under

Client	2005-2006		2004-2005		2003-2004	
	Sales	% of Export Sales	Sales	% of Export Sales	Sales	% of Export Sales
Top 1 Customer	3712.82	32.19	1842.32	20.50	1738.69	23.86
Top 5 Customers	6949.82	60.25	5154.78	57.35	5027.03	68.99
Top 10 Customers	8662.14	75.09	6822.01	75.90	6143.34	84.32

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Geography

Client	2005-2006		2004-2005		2003-2004	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Europe	12694.37	97.17%	8615.59	86.98%	6835.35	96.11%
Others	369.86	2.83%	1288.72	13.02%	276.89	3.89%
Total	13064.23	100.00%	9904.31	100.00%	7112.24	100.00%

Suppliers

We source our requirement of our raw material and other accessories in and around Tamilnadu.

The table shows our supplier concentration:

Rs in Lakhs

Client	2005-2006		2004-2005		2003-2004	
	Value of Raw material Sources	% of Total expenditure on raw material	Value of Raw material Sources	% of Total expenditure on raw material	Value of Raw material Sources	% of Total expenditure on raw material
Top 1 Supplier						
Yarn	210.78	3.79	301.07	36.43	655.48	46.38
Banian	597.89	10.74	730.40	17.34	543.60	18.60
Top 5 Suppliers						
Yarn	496.02	8.92	664.82	80.45	1254.54	88.77
Banian	2033.97	36.56	2291.80	54.40	1648.76	56.43
Top 10 Suppliers						
Yarn	610.33	10.97	824.20	99.75	1409.97	99.76
Banian	3328.21	59.84	3239.40	76.90	2323.97	79.55

Our Product

The knitted garments manufactured by us caters to various segments which may be categorized in terms of age, sex and usage. We concentrate on casuals, sports wears, sweat shirts, pullovers etc. We manufacture garments for all these categories across the age group from babies to adult.

Product	2005-2006		2004-2005		2003-2004	
	No. garments	% of Total export turnover	No. garments	% of Total export turnover	No. garments	% of Total export turnover
T shirt,Vest, Singlet,Polo Shirt, Tank Top	3492546	49.05	2891502	54.64	2400581	51.25
Sweater,Sweat shirt,Cardigan, Pullover	1831730	45.26	630747	20.91	669817	23.81
Babies Garments	228244	2.90	505245	8.68	785138	14.48
Other Outer Garments, Skirts, Underpant,shorts, M&B Shorts etc	1126504	2.79	801735	15.77	725908	10.45
Total	66 79 024	100.00	48 29 229	100.00	45 81 444	100.00

Break up of our Exports sale between trading goods & manufacturing Goods.

Particulars	2005-2006		2004-2005		2003-2004	
	No. garments	% of Total export turnover	No. garments	% of Total export turnover	No. garments	% of Total export turnover
Trading Goods	4152341	62.02	2784731	59.51	2188679	50.23
Manufacturing Goods	2526683	37.98	2044498	40.49	2392765	49.77
Total	66 79 024	100.00	48 29 229	100.00	45 81 444	100.00

Entire trading goods are manufactured in our satellite Units.

Our manufacturing facilities are located in and around Tirupur.

The table below shows our manufacturing capacity catering to export market:

Factories	Month & Year of Commencement	Sq. Ft.	Total Number of Machines	Manpower	Ownership Status
GARMENTING					
UNIT I	1996	27000	80	289	TKFL
UNIT II	1996	18000	65	210	TKFL
UNIT III	SEP 2005	16000	90	178	TKFL
UNIT IV	SEP 2005	16000	90	118	TKFL
Kancheevaram	1999	45000		154	TKFL
Mudalipalayam	1998	17000	50	48	TKFL
Administration				92	TKFL
Total		139000	375	1089	

The table below shows Capacity of our satellite units:

Factories	Month & Year of Commencement	Sq. Ft.	Total Number of Machines	Manpower	Ownership Status
Online Fashions	September 1997	5000	45	100	Lease
Stable clothing	September 1997	5000	45	120	Lease
Sidda Fashions	September 1998	4000	40	70	Lease
Arani Exports	November 1998	8000	45	120	Lease
Zenith Fashions	December 2002	8000	50	110	Lease
Prosper Exports	1995	5000	32	100	Lease
Seagull Knitwear	December 1994	4000	32	80	Lease
Sri sai exports	November 2004	8000	55	110	Lease
Trenz Hi Fashions	December 2003	4300	28	65	Lease
Pentagon Knit Fashions	April 2005	5000	48	70	Lease
Online Knit Fashions	June 2003	14000	55	150	Lease
Stable Knit Clothing	2004	8200	40	110	Lease
Total		78 500	515	1205	

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Capacity and capacity utilization for the last three years

Factory	2005-2006			2004-2005			2003-2004		
	Installed (in lacs pieces)	Utilised (in lacs pieces)	% of Capacity utilisation	Installed (in lacs pieces)	Utilised (in lacs pieces)	% of Capacity utilisation	Installed (in lacs pieces)	Utilised (in lacs pieces)	% of Capacity utilisation
Existing	85	66.79	78.57	60	48.29	80.48	50	46	92

During peak season, October to March, the pressure on delivery will be very high. During this peak season, no buyer will be prepared to give extension for delivery. It is essential to have atleast 20% cushion in production capacity to meet the demand in peak season. We will be getting more orders atleast we keep 20% gap in installed versus utilized capacity.

Proposed Capacity Utilisation	2007-2008			2008-2009			2009-2010		
	Installed (in lacs pieces / tons)	Utilised (in lacs pieces / tons)	% of Capacity utilisation	Installed (in lacs pieces / tons)	Utilised (in lacs pieces / tons)	% of Capacity utilisation	Installed (in lacs pieces / tons)	Utilised (in lacs pieces / tons)	% of Capacity utilisation
Garmenting	150	120	80	150	130	86.67	150	130	6.67
Spindles	4500	4500	100.00	4500	4500	100.00	4500	4500	100.00

Competition

Our competition in export segment is from various garment exporters in India who are manufacturing for customers in the international market.

We also face competition from garment manufacturers across the globe. We compete with manufacturers from other cost efficient countries such as China, Srilanka, Pakistan and Bangladesh. We also face competition from countries like Mexico and Turkey who have locational advantage closer to the American and European market respectively.

Collaboration

We have not entered into any technical, marketing or financial collaboration.

Human Resources

Garment Manufacturing Industry is one of the high labour intensive industry. Like any other organization in the manufacturing sector, garment sector have to sustain intense competition and perpetual changes. Well motivated workforce that performs up to its potential can make all the difference between a successful organization and the one that aspires to be the world's garment manufacturer. The policies of the company are open and transparent. It also helps in creating conducive work environment where recognition and rewards are ensured for the right people at the right time. The company focuses and continuously work for the health, safety and welfare of employees and all the manufacturing facilities are subject to compliance audit by the international buyers regularly.

Healthy and harmonious relationship that the company nurtures with its employees constitutes the Hallmark. By leveraging human resources efficiently and effectively, the company enjoys greater competitive advantage.

Our Company has been awarded SA 8000:2001 Certificate by BVQI for Social accountability management System.

The number of employees on rolls as on March 31, 2006 is 1089.

Utilities

Power

We have made necessary arrangements for the purpose of power supply. We meet our electricity requirement by purchasing electricity from state electricity board. To support our manufacturing facility from any power failure and to provide uninterrupted supply of power we have adequate backup in the form of diesel generators.

Water

Water is required for humidifiers, dye house processing and general consumption. The water requirement is 6,00,000 litres per day and is obtained from New Thiruppur area development Corporation and reverse osmosis plant. Our company has storing capacity for 6,00,000 litres of water. Our company has also a tube well for supplementing the water supply. For ensuring quality of the water required in the dye house, our company has installed water softening plant of adequate capacity.

Steam

Our company has three boilers in the capacity of two six tonnes supplying steam to dye house and one four tonnes supplying steam to ETP.

Effluent Treatment Plant

No harmful effluent arise in the garment knitting and stitching. However, the wastewater from dye house contain chemical residues, which require treatment before discharge into the system for common treatment. However, our company has zero discharge and salt recovery unit. This will not only meet with the strict pollution control norms but also help in reducing re-dyeing of fabric because of purity of treated water.

Insurance

We have insured all moveable and immovable properties of our Company including all stocks, factory premises, plant and machinery. We have got Standard Fire and Special Perils Policy for Building, Plant & Machinery situated at 8 locations. We have also got a Fire Insurance Policy for all stock of garments in various stages viz. raw cotton, waste cotton, yarn, fabrics (grey & Dyed) in Semi-finished and Finished form.

Property

The details of freehold property held by the Company has been summarized below in a tabular form with brief details of the sale deed:

Sr. No.	Details of the Agreement	Description of the Property
1.	Sale deed executed at Tirupur dated May 22nd, 2002 between M/s. Promark Traders Pvt. Ltd. and the company	All that piece and parcel of vacant land at Survey Nos. 454/1, 2,3, 463/1,2,3, 464/1A, 1B, 1C, 1D, 2A, 2B, 465, 466/1,2, 467/1,2; 454 1(part) and 454/2 (part) at Tirupur Regn. Dt. Thottipalayam Sub District, Tirupur Taluk, Mudalipalayam Village. Property at TEA Nagar, Shed No. 130, Door No. 1/126, Ass. No. 828, Electric Services Connection No. SC. 94
2.	Sale deed executed at Tirupur dated March 16th, 2000 between Mr. N. Karuppusamy and the company	All that piece and parcel of vacant land at Survey No. 137, No. 13 & 20 at Kancheevaram Nallur Village
3.	Sale deed executed at Tirupur on February 15th, 1999 between Mr. Venkatachala Kounder and the company	All that piece and parcel of vacant land covering around 1.30 acres and 1.23 acres at Kancheevaram Nallur Village
4.	Sale deed executed at Tirupur between Mr. Ramaswamy Koundar and the company	All that piece and parcel of vacant land covering around 1.26 acres of agricultural land at Kancheevaram Nallur Village
5.	Sale deed executed at Tirupur between M/s. Mars Exports, Coimbatore and the company	All that piece and parcel of vacant land at Mudalipalayam Village at Survey Nos. 454/1,2,3; 463/1,2,3
6.	Sale deed executed at Tirupur dated June 2nd, 2005 between Mrs. Karuppathal, N. Rathna and N. Susila and the company	All that piece and parcel of property situated at Survey Nos. 466/1B2, 466/1B4, 466/1B1, 466/1B3 at Tirupur, Palladam Vadukapalayam Village

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Sr. No.	Details of the Agreement	Description of the Property
7.	Sale deed executed at Tirupur dated June 21st, 2005 between Mrs. Saraswathi and the company	All that piece and parcel of property situated at Tirupur, Palladam, Vadukapalayam Village covering around 1.62 acres of agricultural land
8.	Sale deed executed at Tirupur dated April 21st, 2005 between Mr. Sadasivam and the company	All that piece and parcel of property situated at Tirupur, Palladam, Vadukapalayam Village, Survey No.476, Survey No. 476/1A, a well, one 5 HPEMP set, Electricity connection
9.	Sale deed executed at Tirupur dated March 25, 2005 between Mrs. Chayamma, Mrs. Mallika, Vimala, S. Priyavadhana	All that piece and parcel of property situated at Tirupur, Palladam, Panikkampatti Village, S. No. 477/3 covering around 4.24 acres and 3.69 acres of agricultural land, one well, 5 HPEMP set, Electrical Connection 14ITP IV. Building of 40 Sq. Mt.
10.	Sale deed executed at Tirupur dated March 25, 2005 between Mrs. Karuppathal, N. Rathina, N. Vanithamani	All that piece and parcel of property situated at Tirupur, Palladam, Vadukapalayam Village covering around 0.52 acres and 0.63 acres at Survey No. 466/1B3, 4.88 acres at Survey No. 465 and agricultural land covering around 0.63 acres at Survey No. 466/1B, land covering 4.01 acres at Survey No. 465



REGULATIONS AND POLICIES

The WTO 2005 Initiative

Protection of the textile and clothing sector has a long history in United States and Europe. In the 1950s, Japan, Hong Kong, China, India and Pakistan agreed to voluntary export restraints for cotton textile products to the United States. In 1962 a Long Term Agreement regarding International Trade in Cotton Textiles (LTA) was signed under the auspices of the GATT (replacing a 1-year short-term agreement). The LTA was renegotiated several times until it was replaced by the MFA, which extended restrictions on trade to wool and man-made fibers in addition to cotton.

Since 1947, when the General Agreements on Tariff and Trade (GATT) was first signed, an increasing proportion of international trade was regulated by the international agreements, designed to ensure countries could erect or maintain barriers to international trade only under mutually agreed terms.

Apparel / readymade garments were not included in GATT provisions. In 1947, the Multi-Fibre Agreement (MFA) was signed, without reference to GATT, essentially ratifying countries right to impose quotas on textiles and apparel/readymade garment imports from each other. This was intended to be a temporary measure allowing developed countries time to restructure their apparel / ready-made garments and textile industries beyond opening them up to competition from developed countries.

In practice the MFA was frequently renewed. In 1994, GATT signatories signed the Agreement on Textiles and Clothing (ATC), committing to phasing out MFA and replacing it by the general systems for agreeing trade barriers and disputes that the GATT has laid down. Almost simultaneously, the GATT was replaced by the World Trade Organisation (WTO).

The most important underlying principles of the ATC are:

- The quotas would be phased out to an agreed timetable (16% of Imports, quota-free by January 11, 1995, further 17% by January 1, 1998, further 18% by January 1, 2002 and the remaining 49% by January 1, 2005)
- There would be no extension date
- The ATC would be binding only on trade between WTO member states

There would be no temporary provisions while the ATC was in force for monitoring progress and managing duties. Accordingly, quota restrictions have been removed with effect from January 1, 2005.

This removal of world trade quota restrictions is expected to bring a change in the global apparel trade. Productivity, labour costs, quality and creativity will determine which countries will eventually emerge as winners.

Technology Upgradation Fund Scheme

Technology Upgradation Fund Scheme is the first of its type in any industry specific financing for modernization and technology upgradation. TUFs was launched by Gol on April 1, 1999 for a period of five years. Operation of this scheme was further extended upto March 31, 2007. TUFs is intended to be a focal point for modernization efforts through technology upgradation in the Indian textiles industry and has an objective of making available adequate capital from banks and financial institutions for modernization at internationally comparable rate of interest and it provides a 5% reimbursement of interest actually charged by the identified financial institution on the sanctioned projects.

With effect from January 1, 2002 an option was provided to small scale textile and jute industries to avail of either 12% (increased to 15% w.e.f. January 13, 2005) Credit Linked Capital Subsidy (CLCS-TUFs) or 5% interest reimbursement. An additional option has also been provided to the powerloom units to avail 20% capital subsidy in lieu of 5% interest reimbursement or 15% CLCS-TUFs in certain cases.

Gol has provided an additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFs for the specified textile processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

Announcement of New Textile Policy

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

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Liberalisation of FDI Policy

Government has allowed foreign equity participation upto 100% through automatic route, in the textile sector with the only exception in knitwear/knitting sector, which is still reserved for SSI. SSI investment limit for the knitwear/knitting sector has been increased from Rs. 1 crore to Rs. 5 crore.

The Import and Export Policy of India

a) 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 is allowed under the EXIM Policy as announced on 31.03.2003.

b) 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 textiles and clothing export products have been prescribed and this scheme remained under operation.

c) Duty Exemption Pass Book (DEPB) Scheme

DEPB credit rates have been prescribed for 82 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalised. However, these export incentives are to be reviewed shortly to make it WTO-compatible.

d) Duty Drawback Scheme

The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market. From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

New duty drawback rates of 2005-2006

The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of inputs, standard input/output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. As education cess is being collected as duties of excise/customs, the element of education cess has been factored in the drawback rates. The changes in drawback rates reflect the changes in applied duties and changes in prices.

Ready Made Garments

In the ready made garment sector, the new drawback rate for knitted blouses/shirts/tops of cotton is 6% with a cap of Rs. 19 per piece as against the existing rate of Rs. 42/kg. The new rate for knitted blouses / shirts / tops of man-made fibre is 7.5% with a cap of Rs. 24 per piece as against the existing rate of Rs. 53.50/kg. For knitted blouses/shirts tops of cotton and man made fibre blend the new drawback rate is 6.8% with a cap of Rs. 21 per piece as against the existing rate of Rs. 48/kg. The drawback rates on woven garments have been revised accordingly. As for ready made garments made up of silk, the rate provided is 6% with a cap of Rs. 36/45 per piece as against the existing rate of Rs. 130/kg. The drawback rate on dyed woolen shawls has been revised upwards from Rs. 20.50/kg to 6% with a cap of Rs. 30 per piece.

Other Policy and Administrative Initiatives

Human Resource Development

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

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

Construction of Apparel International Mart

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



Setting up of modern laboratories

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

Apparel Park for Exports Scheme

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

Textile Centres Infrastructure Development Scheme (TCIDS)

Development of infrastructure facilities at pre-dominantly textile / apparel sector areas is one of the thrust areas of NTxP, 2000. For attaining this objective, a new scheme (TCIDS) has been launched for upgrading infrastructure facilities at important textile centers.

Meanwhile, in the recent Budget, the government reduced the import duty on textile machinery from 20% to 10%.

Environmental Regulations

We are subject to Indian laws and regulations concerning environmental protection, in particular, the discharge of effluent water and solid particulate matter during our manufacturing processes. The principal environmental regulations applicable to industries in India are the Water (Prevention and Control of Pollution) Act, 1974, the Water Access Act, 1977, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986.

Further, environmental regulations require a company to file an Environment Impact Assessment (“EIA”) with the State Pollution Control Board (“PCB”) and the Ministry of Environment and Forests (“MEF”) before undertaking a project entailing the construction, development or modification of any plant, system or structure. If the PCB approves the project, the matter is referred to the MEF for its final determination. The estimated impact, which a project would have on the environment, is carefully evaluated before granting clearances. When granting clearance, conditions can be imposed and the approving authorities can direct variations to the proposed project.

The PCB located across the States monitors compliance with applicable environmental regulations. No industrial or productive facility may operate without a valid authorization from the local PCB office. PCBs routinely inspect industrial and productive facilities, to monitor compliance with applicable environmental standards and regulations, including the provisions of the Water Act and the Water Access Act. The PCBs are also empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

Violations of relevant environmental regulations are punishable by monetary fines and imprisonment for company officers and controlling persons.

We have established water and air pollution control systems at our washing plant. Our environmental compliance program is administered internally by our operations & administration department and includes monitoring, measuring and reporting compliance, establishing safety programs and training our personnel in environmental and safety matters.

Foreign Investment Regulations

The new industrial policy was formulated in 1991 to implement the Government’s liberalization programme and consequently, the industrial policy reforms relaxed industrial requirements and restrictions on foreign investment. In subsequent years, the Government has further liberalized the foreign investment regime.

Customs Regulations

All imports to the country or exports from the country are subject to duties under the Customs Tariff Act, 1975. However, the Government has the power to exempt certain specified goods from excise duty, by notification.

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HISTORY AND OTHER CORPORATE MATTERS

OVERVIEW

Our company was set up as a partnership firm in 1988. Our company was reconstituted as private limited company by taking over all the assets and liabilities of the partnership firm as a going concern on 30.08.1996. Our company became a public limited company on 19.11.1999, subsequently changed our name to Tubeknit Fashions Limited.

Take-over of the Fabric Dyeing Division of group Partnership Firm

To further strengthen our operation on corporate structure and to move up in the value chain by entering into the business of garment export, which is expected to show manifold increase in the post quota region, we decided to takeover the Fabric dyeing Division of Reliance Textiles Processing, our group Partnership Firm. Consequently, Reliance Textiles Processing Fabric Dyeing Division was taken over by our company with effect from 2000.

The key events in the business of our Company are as follows:

Year	Milestones Achieved
1996	Setup of First Garmenting unit at Kanchevarum Nallur with a Capacity of 7000 Pieces Per day. Incorporation of Tube knit Fashions Private Limited.
1998	Setup Of Knitting Unit at Sidco industrial estate Mudalipalayam,with a Capacity of 0.50 Tone per day.
1999	Knitting Capacity Enhanced to 5 Tones Per day by installing additional Machineries.Set up of yarn Dyeing Plant at Kanchevarum Nallur with a capacity of 1.3 Tones Per day.Set up of second garmenting unit at Palladam with a Capacity of 3000 Pieces Per day.Conversion of Private Limited in to Public Limited Company.
2000	Acquisition of Fabric Dyeing facility of sister company Reliance Textiles Processing with a capacity of 3 Tones Per Day.Fabric Dyeing facility modernized with soft flow machines with a Capacity of 3.7 Tones per day.
2004	Set up of Garment Dyeing Capacity facility with 0.5 Tones Per day.
2006	Knitting capacity Increased to 8 Tones Per day.Fabric Dyeing Capacity Increased to 12 Tones Per day.Garment Dyeing Facility Increased to 1.5 Tones per day.Set up of New garmenting Unit 3&4 with a capacity of 18000 Pieces Per day.

Changes in Registered Office of our Company

The table below shows the changes in the Registered office of the company since incorporation:

Previous Address	New Address	Reasons for Change in Office	Date of Change
1, C.K. K. Industrial Estate, Dharapuram Road, Tirupur	SF No. 137, Kanchevaram Nallur, Tirupur	Administrative convenience	28.02.2006

The Registered Office at SF No. 137, Kanchevaram Nallur, Tirupur is owned by the Company.

Main Objects of our Company

The main objects of our Company as stated in the MOA are as under:

1. To carry on the business of Manufacturers, Traders, Dealers, Importers, Exporters, Agents and Merchants of all kinds of fabrics and Readymade Garments.
2. To carry on, in India or elsewhere in the world, any one or more or all of the business of manufacturing, Trading importing & exporting of Texturised yarn, Cotton yarn, Staple Fibre Yarn, Silk, artificial silk, rayon, flax, hemp, jute and and to carry on the business of worsted and woollen spinners; cotton ginner, spinners and doublers; combers, wool combers worsted tuff manufacturers; Knitting of cotton, silk artificial silk, rayon, staple fibre, wool, flax, hemp, jute, worsted and other fibrous substances; silk and artificial silk mercers and carpet makers.

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



Changes in Memorandum of Association

Date of Resolution	Changes
November 19, 1999	Increase in Authorised capital from Rs. 3 crores to Rs. 10 crores
November 19, 1999	Conversion to Public company and change of name
September 17, 2000	Increase in Authorised capital from Rs. 10 crores to Rs. 15 crores
September 21, 2001	Increase in Authorised capital from Rs. 15 crores to Rs. 20 crores

Our Subsidiaries

We do not have any subsidiaries.

Other Agreements

Our company has not entered into any other material agreements.

Raising of Equity

For details of raising of equity, please refer to “Capital Structure” on page 13 of the Red Herring Prospectus.

Strategic and Financial Partners

We do not have any strategic or financial partner.

OUR MANAGEMENT

Sr. No.	Name, Father's / Husband's name, Address and Nationality, Occupation	Designation	Age	Directorships in other companies
1.	Mr. P. Parthasarathi S/o. Palaniappa Chettiar No. 48, South Street, Royapuram, Tirupur – 641 601 Occupation: Industrialist	Managing Director	54	Intime Textiles Ltd. Partner in Reliance Textile Processing Tube Tex Compacting Co. Vikram Printing Vikram AgenciesKarta in Hotel Vikram Proprietor of Tube Tex Wave
2.	Mrs. P. Maheswari W/o. Mr. P. Parthasarathi No. 48, South Street, Royapuram, Tirupur – 641 601 Occupation: Industrialist	Whole Time Director	47	In time Textiles Ltd. Partner in Reliance Textile Processing Tube Tex Compacting Co.Vikram Printing Vikram Agencies Karta in Hotel Vikram Proprietor of Tube Tex Wave
3.	Mr. S. Murugan S/o.Mr. Somasundaram No. 25, Ramaiah Colony, III Street, Tirupur – 641 601 Occupation:Service	Whole Time Director	48	Not applicable
4.	Mr. R. Gopalswamy S/o. Mr. Ramaswamy No. 17, Pethichettipuram East Street, Royapuram, Tirupur – 641 601 Occupation:Industrialist	Director	61	Partner in Supreme Yarns
5.	Mr. Udhayakumar S/o. Mr.Ganesan F 20 Avinash Apartments,Bhatathi Colony, Peelamedu,Coimbatore-641004 Occupation:Service	Independent Director	40	Prime Industries Limited
6	Mr. PR.Arunachalam S/O late RM Peria karuappan No 8 U.K.P nagar Gandhi Nagar Udumalpet-642154 Occupation:Service	Independent Director	54	NIL
7	Mr. R. Ravichandran S/o. Mr. A. Ramasamy No. 20 Muruganpalayam Extn., 3 rd Street, Tirupur – 3 Occupation: Chartered Accountant	Independent Director	45	NIL
8	Mr. A. Srinivasan S/o. Mr. Ayyappan HIG 1629, Gandhi Maanagar, Peelamedu P.O. Coimbatore – 641004 Occupation:Service	Independent Director	55	NIL



BRIEF PROFILE OF OUR DIRECTORS

A brief profile of the Board members, other than the Promoters, is given below:

Mr. S. Murugan, aged 48 years, is the Whole-Time Director of our Company is a Post-Graduate Degree Holder in Management from University of Madras. He has 25 years of experience in marketing and advertising. He joined Tube knit Fashions Limited in the year 2001 as General Manager Operations. He was inducted in to the board as Director in the Year 2003. He was working as General Manager in a Spinning Mill in Salem before joining our Company.

Mr. R. Gopalswamy, aged 61 Years is an independent director on our Board. He has over 25 years of Business experience especially in trading of Yarn

Mr. Udhayakumar, aged 40 years is a Nominee Independent director representing IDBI on our Board. He completed B.E.Civil from Madurai Kamaraj University and Completed M.B.A (Marketing & Finance) from Madras University. He has also completed Diploma in Computer Application from Loyola Institute of business Administration. He joined IDBI in the year 1993 as Manager and elevated to Assistant General Manager in the year 1997. Before joining IDBI he was working in Tamilnadu Water supply and drainage board as assistant engineer for 10 Years.

Mr. PR. Arunachalam, aged 54 years is an Independent Director on our Board. He completed B.Tech from Madras University. He has over 30 years business experience.

Mr. R. Ravichandran, aged 45 years is an Independent Director on our Board. He holds Bachelor degree in science from Madras University and is a Chartered Accountant. He is a Fellow member of The Institute of Chartered Accountants of India. He has over 20 years experience in Finance and accounting. He has also qualified in Information Systems Audit (DISA).

Mr. A. Srinivasan, aged 55 years is an independent Director on our Board. He completed B.E. from Madras University. He has got 30 years of experience in the erection of electrical plants and electrical equipments.

Shareholding of our Directors in our company

The shareholding of our directors as on the date of filing of this Red Herring Prospectus with ROC is as below:

Name of the Director	No. of Equity Shares of Rs. 10/- each	% of pre-issue capital
Mr. P. Parthasarathi	75,59,400	60.38%
Mrs. P. Maheswari	49,59,000	39.61%
Mr. R. Gopalswamy	100	0.001%
Mr.S.Murugan	300	0.002%
TOTAL	1,25,18,800	99.99%

Details of Borrowing Powers of Directors

Shareholders of our company approved at the Extra-ordinary general meeting held on February 23, 2006 Rs. 100 Crores as current borrowing powers of the directors pursuant to Sec. 293(1)(d) of the Companies Act, 1956.

Details of appointment and compensation of our Executive Directors

Mr. P. Parthasarathi as Managing Director

Term:

Mr. P. Parthasarathi has been re-appointed as the Managing Director of the company on 18th day of November 2004 for a period of 5 years from November 18, 2004 to October 17, 2009.

Scope of work:

The management of the business of the Company with power to appoint and dismiss employees of the Company, to enter into contracts on behalf of the Company in the ordinary course of its business and to do and perform all other acts and things, which, in the ordinary course of business, he may consider necessary or proper or in the interests of the company.

Remuneration:

The remuneration and perquisites have been fixed at Rs. 1 lakh per month and as may be increased by the Board of Directors from time to time. The total remuneration payable to the Whole time Director shall not exceed 10% of the net profits of the company. The remuneration shall be within the limits laid down under Part III of Schedule XIII of the Companies Act. In the

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computation of remuneration, the contributions to Provident Fund, Superannuation Fund or Annuity Fund shall not be taken into account. The gratuity payable at a rate not exceeding half month's Salary for each completed year of service and encashment of leave would not be a part of the remuneration.

Mrs. P. Maheswari as Whole-Time Director

Term

A period of 3 years from September 30, 2004

Scope of work

The management of the business of the Company with power to appoint and dismiss employees of the company, to enter into contracts on behalf of the Company in the ordinary course of its business and to do and perform all other acts and things, which, in the ordinary course of business, he may consider necessary or proper or in the interests of the Company.

Remuneration

The monthly remuneration has been fixed at Rs. 75,000/- p.m. for a period of three years subject to the provisions of Sections 198, 255, 269, 309 and Schedule XIII of The Companies Act, 1956.

Mr. S. Murugan as Director

Term

A period of 2 years from June 14, 2005

Scope of work

The management of the business of the company with power to appoint and dismiss employees of the company, to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things, which in the ordinary course of business, he may consider necessary or proper or in the interests of the Company.

Remuneration

The remuneration has been fixed as per the provisions of Sec.198, 255, 269, 309 and Schedule XIII of the Companies Act, 1956.

Interest of Promoters and Directors

Except as stated in section Titled "Related Party Transaction" on page 89 of this Red Herring Prospectus, and to the extent of shareholding in our company, the promoters do not have interest in our company.

Changes in the Board of Directors during the last three years

S.No	Name of The Director	Date of Appoinment/vacation	Reason
1	I.Chinnaswamy	September 30,2003	Resignation
2	S.Radhakrishnan	September 30,2005	Resignation
3	G.Udayakumar	April 24 2005	Appointment
4	B.Rajagopal	April 24 2005	Resignation
5	PR. Arunachalam	April 19, 2006	Appointment
6	R. Ravichandran	April 19, 2006	Appointment
7	A. Srinivasan	April 19, 2006	Appointment

Corporate Governance

The provisions of the listing agreements to be entered into with the Stock Exchanges with respect to corporate governance become applicable to us at the time of seeking in-principle approval of the Stock Exchanges. We have complied with such provisions, including with respect to the appointment of Independent Directors to our Board and the constitution of the following committees of the Board – the Audit Committee, the Remuneration & Compensation Committee and the Shareholders/Investors' Grievance Committee. We undertake to take all necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges, as would be applicable to our company upon listing of our Equity Shares.



Audit Committee

The composition of the Audit Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee was reconstituted on April 19, 2006. The committee comprises Mr. R. Ravichandran, Independent Chairman, Mr. S. Murugan, Whole-time Director, Mr. G. Udhayakumar, Independent Director.

The objective of the Committee is to comply with the requirements of the clause 49 of the Listing Agreement to be entered into with the Stock Exchanges and Section 292A of the Companies Act, 1956.

Remuneration & Compensation Committee

The composition of the Remuneration & Compensation Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Remuneration & Compensation Committee was constituted on April 19, 2006. The committee consists of Mr. PR. Arunachalam, independent Director and Chairman of the Committee, Mr. A. Srinivasan, Independent Director and Mrs. P. Maheswari, Whole-time Director.

The objective of the Committee is

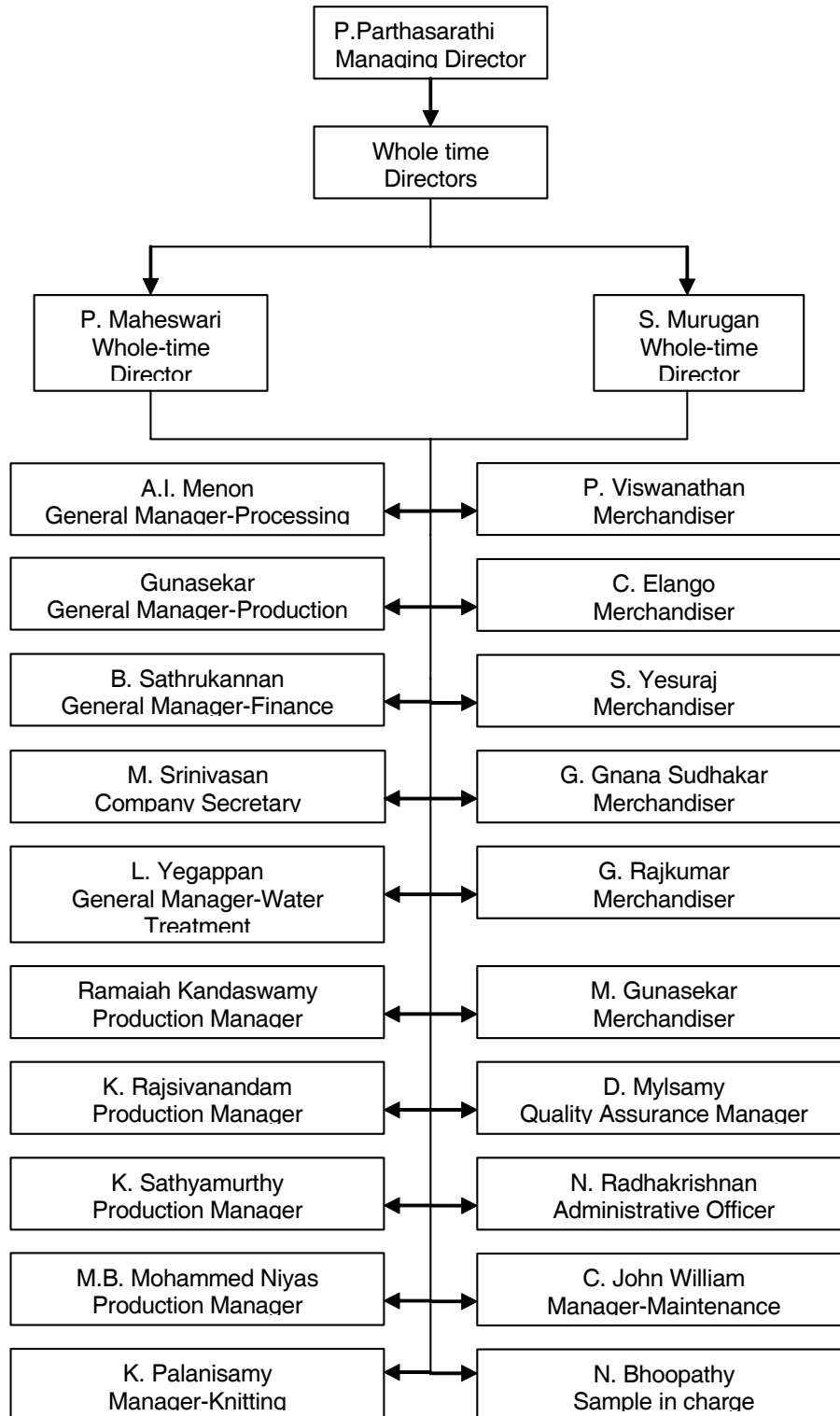
- To determine and recommend to the Board of Directors the remuneration package of the Managing Director and the Whole-time Director.
- To approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director and the Whole-time Directors within the limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956
- Grant of stock options under the Employees Stock Option Scheme and perform other functions of compensation committee as required / recommended by SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999
- To determine and amend the remuneration package of the key management personnel of our Company and to frame policies to attract, motivate and retain personnel.
- Other functions of a Remuneration Committee as required / recommended in the Listing Agreement

Shareholders/Investor Grievance Committee

The composition of the Shareholders/Investor Grievance Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

The Shareholders/Investor Grievance Committee was constituted on April 19, 2006. The committee consists of Mr. A. Srinivasan, Independent Director and Chairman of the Committee, Mr. P. Parthasarathi, Chairman & Managing Director and Mr. R. Ravichandran, Independent Director.

Organisation Chart





Key Managerial Personnel

The details of our key Managerial personnel other than whole-time directors and promoters are as below:

Mr. A.I. Menon, General Manager -Processing is a post graduate in Chemistry with over 25 years of experience in the wet processing industry. He has worked with textile leaders such as Nahar and Madura Coats for a long time. He had undergone training in different facilities of leading Machinery and dye stuff manufacturers in India and abroad . He draws a remuneration of Rs. 3 60 000 p.a.

Mr.Gunasekar, General Manager – Production is a post graduate in Engineering from Annamalai University, Chidambaram. He was employed in Cethar Boiler for a long time and was responsible for setting up of garment export division of the Cethar on their diversification. He has over 10 years experience in the knitwear industry. He draws a remuneration of Rs. 2 37 600 p.a. He has experience in time management and production of knitted garments.

Mr. B. Sathrukannan, General Manager-Finance is a Chartered Accountant by profession and has an experience of about 15 years in various manufacturing companies and auditing firms in different capacities. He was working in our company from 2000 to 2005. He resigned in March 2005 and again joined in March 2006. He draws a remuneration of Rs. 2 00 000 p.a.

Mr.M.Srinivasan, Company Secretary holds a degree in Commerce is a Qualified Cost accountant and is a member of the Institute of Company Secretaries of India. He has 23 years of experience in the Finance, Accounts and Secretarial Department. He was working with M/S Shakthi Knitting Limited before joining our Company.He draws a remuneration of RS 1 20 000 per annum.

Mr. L. Yegappan, General Manager Water Treatment is a B.Tech in Chemical Engineering. He has over 30 years experience in various chemical industries. He draws a remuneration of Rs. 3,20,000 p.a.

Mr. Ramaiah Kandaswamy, Production Manager in charge of Unit III has more than 23 years experience in the garment industry. He draws a remuneration of Rs. 2 64 000 p.a.

Mr. K. Rajsivanandam, Production Manager in charge Unit II has 16 years experience in garment industry. He draws a remuneration of Rs. 1 58 160 p.a.

Mr. K. Sathyamurthy, Production Manager in charge of Unit IV is a Diploma in Business management and Diploma in Civil Engineering. He has more than 14 years experience in garment industry. He draws a remuneration of Rs. 1 20 000 p.a.

Mr. M. B. Mohammed Niyas, Production Manager holds a bachelor degree in mathematics from Colombo University and also a Textile Technologist from Moratuwa University. He has over more than 13 years experience in garment industry. He was working in White House Exports before joining our company in July 2005. He draws a remuneration of Rs. 3 00 000 P.M.

Mr. K. Palanisamy, Manager-Knitting, holds a bachelor degree in Economics. He has about 14 years experience in garments and knitting business. He draws a remuneration of Rs. 1 61 256 p.a.

Mr. P. Viswanathan, Merchandiser holds a bachelor degree in Zoology. He has more than 15 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 1 49 000 p.a.

Mr. C. Elango, Merchandiser holds a diploma in Textile Technology from Madras University. He has more than 17 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 1 59 500 p.a.

Mr. S. Yesuraj, Merchandiser holds a masters degree in Maths. He has more than 13 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 1,48,980 p.a.

Mr. G. Gnana Sudhakar, Merchandiser holds a bachelor degree in B.A. (Corporate Secretary ship) He has more than 14 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 1 49 000 p.a.

Mr. G.Rajkumar, Merchandiser holds Diploma in Civil Engineering and Diploma in Export Management .He has more than 12 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 1 49 000 p.a.

Mr. M. Gunasekar, Merchandiser holds a bachelor degree in History. He has more than 10 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 1 20 000 p.a.

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Mr. M. Ravikumar, Merchandiser holds a bachelor degree in Commerce. He has more than 8 years experience in the garment industry. His responsibility involves marketing and merchandising of the export business. He draws a remuneration of Rs. 93 000 p.a.

Mr.D.Mylsamy, Quality Assurance Manager . He has more than 15 years experience in textile industry. He draws a remuneration of Rs 1 68 000 P.a.

Mr. N. Radhakrishnan, Administrative Officer holds a bachelor degree in Science. He has 21 years experience in dyeing Industry. He draws a remuneration of Rs. 1 69 000z p.a.

Mr. C. John William, Manager-Maintenance holds diploma in Electrical Engineering. He has more than 27 years of experience in Electrical and mechanical maintenance of Various plants. He draws a remuneration of Rs. 1 90 212 p.a.

Mr.N.Bhoopathy, Sample In charge holds bachelor degree in Science. He has 14 years experience in dyeing Industry. He draws a remuneration of Rs. 2 26 512 p.a.

All the above mentioned Key Managerial Personnel are in the rolls of the company as a permanent employee

Shareholding of Key Managerial Personnel

None of the members of our Key Managerial Personnel hold any shares in the Company other than our Promoters.

Bonus or Profit sharing plan for Key Managerial Personnel

We do not have any bonus or profit sharing plan for key managerial personnel.

Changes in Key Managerial Personnel in the last one years

S.No.	Name of the Person	Date of Appointment	Date of Resignation/Cessation	Reasons
1.	B. Sathrukannan	10.04.2000	31.03.2005	Resignation
2.	B. Sathrukannan	31.03.2006		Appointment
3.	R. Kandaswamy	July 2005		Appointment
4.	M.B. Mohammed Niyas	July 2005		Appointment
5	Mr.M.Srinivasan	31.03.2006		Appoinment

Employees Stock Option Scheme

The company does not have any employee stock option scheme as on date.

Non Salary Related Payment or Benefit to Employees/Key Managerial Personnel of the company

There has been no other payment or benefit to the employees / key managerial personnel of the company.

Our Promoters and their Background

Mr. P. Parthasarathi



Permanent Account Number : AFNPP6345K
 Passport Number : F5719166
 Driving License Number : R/TN/39/002066/2003
 Bank Account Number : ICICI BANK MAIN
 BRANCH
 615401070056

Mr.P.Parthasarathi, son of P.Palaniappa Chettiar aged 55 Years is B.Tech Chemical engineer from Madras University. He has experience in modern dyeing and garment industry. He takes care of business development and marketing functions and Keeps track of fashion trends and technology scenario. He is also an Executive Committee member in Tirupur Exporters Association, a organization which works for the welfare of Knit garment industry in Tirupur.He is Chairman & Managing director of our Company.

Mrs. P. Maheswari



Permanent Account Number : AERPM4104L
 Passport Number : A5316032
 Driving License Number : NIL
 Bank Account Number : ICICI BANK MAIN
 BRANCH
 615401071347

Mrs. P.Maheswari, wife of P.Parthasarathi aged 48 years is a Post graduate in statistics. She has 10 years experience in the administration of knitted garment Industry.She takes care of finance and human resource functions.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to NSE AND BSE at the timing of filing the Red Herring Prospectus with them.

In addition to our Promoters the following people constitute our Promoter Group:

1. Ms. P.Ganga
2. Ms. P.Janani
3. Mr. P. Srinivasan
4. Mr. R. Gopalaswamy

Common Pursuits

Promoters do not have interest in any venture that is involved in any activities similar to those conducted by our Company or any other Group Companies.

Interest of Promoters

Promoters are interested to the extent of their shareholding for which they are entitled to receive dividend declared, if any by our company. Further, since Promoters are also Directors of our Company they are interested to the extent of their remuneration from our Company as disclosed under the section "Our Management" on page 66 of this Red Herring Prospectus.

TUBEKNIT FASHIONS LIMITED

RELATED PARTY TRANSACTIONS

Related Parties and Transactions carried out with them

As per Accounting Standard 18

List of Related Parties

Mr. P. Parthasarathi

Mrs. P. Maheswari

Period / Year Ended			31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Sl. No.	Particulars of Transactions	Name of the company	Balance Outstanding Receivables (+) / Payables (-) (Rupees In Lakhs)					
1	Compacting Charges / Cloth Sales	Tube Tex Compacting Company	(-)113.29	(-) 113.29	(-) 31.46	(-) 33.68	(+) 11	(-) 25
2	Screen Printing Charges	VikramPrinting	(+)4.47	(-) 16.06	(-)27.38	(-) 35.05	(-) 35.33	(-)29
3	Screen Printing Charges	Intime Textiles Limited	(-) 42.99	(-) 25.79	(-)38.47	(-) 32.90	(-) 10.86	(-)9
4	Dyeing Charges	Vikram Agencies	0.00	NIL	(-) 30.61	(-) 42.40	0	0
5	Sales / Purchase Hosiery Goods	Tubetex International	(+) 8.06	NIL	(-)0.45	(+)64.04	(+) 84	(+) 31
6	Payment / Receipts	Tubetex International	NIL	(-) 0.09	NIL	NIL	NIL	Nil
7	Hotel Charges	Hotel Vikram	(+) 1.56	(+) 1.85	(+)28.84	0	0	0
8	Sales/Purchase of Hosiery Goods	Tube Tex Wave	(-) 15.19	NIL	(-)18.52	(-) 45.25	(-) 4	(+) 53
9	Payment / Receipts	Tube Tex Wave	NIL	(-) 0.69	NIL	NIL	Nil	NIL
10	Sales / Purchase	Reliance Textile Processing	(-)8.97	(-) 8.97	(-) 22.96	(-) 16.59	(+) 28	(+) 138
11	Compacting Charges	Tube Tex Knit Finishers	(+) 48.93					



DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders. In their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. Our company has no stated dividend policy.

The dividend history of the Company for the previous five years is disclosed as below:

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Percentage of Dividend declared	5%	5%	5%	NIL	NIL

SECTION-V

FINANCIAL STATEMENTS

AUDITORS REPORT

The Board of Directors,
Tubeknit Fashions Limited,
SF 137, Kancheevaram Nallur,
Tirupur

- A a) We have examined the annexed financial information of Tubeknit Fashions Limited for the five financial years ended 31st March, 2006 and 31st December 2006 being the last date to which the accounts of the Company have been made up and audited. The financial information based on the accounts audited by M/s. D.G. Shah & Co., Chartered Accountants for the year ended 31st March 2002, 2003, 2004, 2005, 2006 and 31st December 2006 are approved by the Board of directors of the company for the purpose of disclosure in offer document issued by the company in connection with Public Issue of Equity Shares in the Company (referred to as “the issue”
- b) In accordance with the requirement of
- (i) Paragraph B 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 the Securities and Exchange Board of India (‘SEBI’) on January 19, 2000 in pursuance to section 11 of Securities and Exchange Board of India, 1992 and related amendments and
 - (iii) Our terms of reference with the company dated 25.04.2006 requesting us to carry out work in connection with the offer document as aforesaid,

We report that the stated profit / losses of the company for the year ended 31st March 2002, 2003, 2004, 2005, 2006 and 31st December 2006 are as set out in **Annexure 1** to this report. These profit / losses 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 accounting policies and notes thereon appearing in **Annexure 3** to this report.

We report that restated assets and Liabilities of our Company as at 31st March 2002,2003,2004,2005, 2006 and 31st December 2006 are as set out in Annexure 2 to this Report, after making such adjustments/Restatement and Regrouping as in our opinion are appropriate and subject to the accounting policies and notes there on appearing in Annexure 3 to this Report;

- a) The company has paid dividend on equity shares @ 5% for the financial year ended 31st March 2006.
- B We have examined the following financial information relating to the Company proposed to be included in the offer document, as approved by you and annexed to this report;
- (i) Details of loans and advances showing the same with the related parties as appearing in **Annexure 4** to this report;
 - (ii) Accounting ratios as appearing in **Annexure 5** to this report;
 - (iii) Capitalisation statement as at 31st December, 2006 as appearing in **Annexure 6** to this report;
 - (iv) Statement of Tax Shelter as appearing in **Annexure 7** to this report;
 - (v) Statement of Cash Flow as appearing in **Annexure 8** to this report;
 - (vi) Statement of Tax Benefits enclosed as **Annexure 9** to this report;
 - (vii) Statement of Related parties (only for the years the Accounting Standard 18 is applicable) transaction enclosed as **Annexure 10** to this report;
 - (viii) Statement of Investments enclosed as **Annexure 11** to this report;
 - (ix) Statement of Sundry Debtors including the related party debtors enclosed as **Annexure 12** to this report;
 - (x) Statement of Unsecured loans taken including that from related parties enclosed as **Annexure 13** to this report;
 - (xi) Statement of Secured loan taken from related parties enclosed as **Annexure 14** to this report;



(xii) Statement of contingent liabilities enclosed in **Annexure 15**.

(xiii) Statement of other income enclosed in **Annexure 16**.

- a) In our opinion the financial information of the Company as stated in Para A and B above read with the significant accounting policies attached in Annexure 3 to this report, after making adjustments / restatements and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the act and SEBI Guidelines.
- b) The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct laws presently in force in India. The contents of his statement are based on information, explanation and representations obtained from the Company and on this basis of our understanding of the business activities and operations of the Company and the Income Tax laws of India as of date.
- c) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific public offer of the Company and is not to be use, referred to or distributed for any purpose without our prior consent.

**For D. G. Shah & Co.,
Chartered Accountants**

**Dharamsi G. Shah
Partner
Membership No.3322**

Place:Coimbatore

Date: 2.02.2007

Statement of Profits and Losses							
SI No	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars						
A	INCOME						
	Sales of Products						
	Export Sales	7261.63	11535.15	8617.59	7052.35	4755.66	4432.19
	Domestic Sales	1447.94	1529.08	1286.72	59.89	686.05	808.68
	Variance in Stock - Increase or (Decrease)	(117.24)	301.88	131.99	(213.45)	438.50	106.52
	Total	8592.33	13366.11	10036.30	6898.79	5880.21	5347.39
	Other Income	1524.64	2216.50	2198.74	2184.20	1276.71	1205.80
	Total	10116.97	15582.61	12235.04	9082.99	7156.92	6553.19
B	EXPENDITURE						
	Raw Materials consumed	5561.96	8608.69	7420.87	5253.48	4035.31	3541.31
	Manufacturing Expenses	1693.46	2923.76	2232.00	1753.91	1514.82	1491.84
	Administrative, Selling & Distribution Expenses	1131.12	1712.38	1247.67	1074.40	869.49	671.35
	Finance Cost	409.18	655.98	501.93	389.51	315.26	366.39
	Preoperative Expenses written off	4.59	6.12	5.87	5.87	3.83	3.83
	Total	8800.31	13906.93	11408.34	8477.17	6738.71	6074.72
	Net Profit Before Depreciation, Tax & Extraordinary Items	1316.66	1675.68	826.70	605.82	418.21	478.47
	Less: Depreciation	366.36	413.33	447.18	278.05	254.43	289.26
	Net Profit before Tax & Extraordinary Items	950.30	1262.35	379.52	327.77	163.78	189.21
	Less: Taxation						
	Provision for Current Tax	320.00	350.00	17.50			
	Provision for Fringe Benefit Tax	5.00	6.75				
	Deferred Tax Liabilities	(13.27)	21.33	137.31	163.19	24.33	
	Deferred Tax Assets	15.11	(61.80)	(58.88)	(7.19)	(0.72)	
	Provision for Proposed Dividend - Pref. Shares	NIL	46.80	46.80	46.80	46.80	46.80
	Provision for Dividend Tax	NIL	6.56	6.12	6.00	6.00	
	Net Profit before Extraordinary Items	623.46	892.71	230.67	118.97	87.37	142.41
	Extraordinary Items	0.32		0.30	2.98		



SI No	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars						
	Net Profit after Extraordinary Items	623.78	892.71	230.97	121.95	87.37	142.41
	Impact on account of adjustments required By paragraph 6.18.7 (b) of Changes VI of the Guidelines (Refer Note II (6))	NIL	81.66	(81.66)			
	Profit available for Appropriation	623.78	974.37	149.31	121.95	87.37	142.41
	Accumulated Profits from Previous Years	1286.29	768.30	704.77	664.44	715.86	1178.45
	Less: Appropriations						
	Opening Deferred Tax Liabilities					134.84	
	Opening Deferred tax asset					(1.05)	
	Provision for Proposed Dividend - Equity Shares		62.60	62.60	62.60		
	Provision for Dividend Tax		8.78	8.18	8.02		
	Transfer to General Reserve		25.00	15.00	11.00	5.00	5.00
	Amount utilised for Bonus Issue						600.00
	Capital Redemption Reserve		360.00				
	Balance Carried to Statement of Assets and Liabilities	1910.07	1286.29	768.30	704.77	664.44	715.86

Statement of Assets and Liabilities							
SI No	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars	(Rs. In Lakhs)					
A	FIXED ASSETS						
	Gross Block	6430.90	5951.05	4951.22	4554.52	3721.30	2838.74
	Less: Depreciation	2472.53	2106.25	1692.92	1246.74	990.14	735.71
	Net Block	3958.37	3844.80	3258.30	3307.78	2731.16	2103.03
B	INVESTMENTS	20.00	10.00				
C	CURRENT ASSETS, LOANS AND ADVANCES						
	Inventories	3584.52	3244.84	2895.40	2587.82	2505.69	1929.11
	Sundry Debtors	675.63	717.14	887.38	755.10	1314.37	1397.21
	Cash & Bank Balances	598.01	454.02	292.94	325.38	309.21	136.45
	Loans & Advances	2243.49	1321.73	740.45	711.17	779.78	563.31
		7101.65	5737.73	4816.17	4379.47	4909.05	4026.08
D	DEFERRED TAX ASSETS	114.52	129.64	67.83	8.96	1.77	0.00
E	LIABILITES AND PROVISIONS						
	Secured Loans	5227.48	4417.68	3628.74	3594.67	3767.85	2953.86
	Unsecured Loans	NIL	3.51	11.42	8.80	4.57	19.29
	Current Liabilities and Provisions	1933.03	1875.88	1646.70	1459.04	1446.05	849.05
	Deferred Tax Liability	467.72	481.00	459.67	322.36	159.17	NIL
		7628.23	6778.07	5746.53	5384.87	5377.64	3822.20
F	NETWORTH	3566.31	2944.10	2395.77	2311.34	2264.34	2306.91
G	REPRESENTED BY						
	Share Capital	1252.00	1252.00	1612.00	1612.00	1612.00	1612.00
	Reserves & Surplus	2336.07	1712.29	809.31	730.76	679.44	725.85
	TOTAL	3588.07	2964.29	2421.31	2342.76	2291.44	2337.85
H	MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED	21.76	20.19	25.54	31.42	27.10	30.94
I	NETWORTH [(G-H)]	3566.31	2944.10	2395.77	2311.34	2264.34	2306.91



Annexure 3

I. SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

These financial statements have been drawn up using the historical cost convention as per accounting principles generally accepted in India.

2. BASIS OF ACCOUNTING

The Company is following accrual basis of accounting as prescribed in Companies (Amendment) Act of 1988 on a going concern concept.

3. SALES

Export sales value is arrived at based on the conversion rate prevailing on the date of bill Negotiation.

4. FIXED ASSETS

A fixed asset is stated at cost of acquisition and includes all expenditure of capital nature including the cost of borrowings.

5. DEPRECIATION

Depreciation is provided under W.D.V. Method on Pro-rata basis at rates prescribed in Schedule XIV of The Companies Act, 1956.

6. VALUATION OF INVESTMENTS

Inventories are valued at cost ascertained on Weighted Average Basis or realized value whichever is less and Certified by Management.

7. GRATUITY

Provision has been made for gratuity on the basis of workings made under Group Gratuity Scheme offered by LIC of India.

8. REVENUE RECOGNITION

Revenue is recognized when no significant uncertainty as to determination or realization exists.

9. INTEREST ON BORROWINGS

Borrowings cost is charged to Profit & Loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the asset.

10. TAXES ON INCOME

Deferred tax is recognized, subject to consideration of prudence on all timing differences between taxable income and accounting income that originate in one period and are capable of being reversed in one or more subsequent periods.

11. MISCELLANEOUS EXPENDITURE

Preliminary expenses incurred before 31st March 2000 are amortised over a period of 10 years and incurred after 31st March 2000 are amortised over a period of 5 years.

Purchase of Software is treated as intangible asset and the same has been amortised over a period of three years starting from 2005-06 as per AS-26.

12. INVESTMENTS

All the investments are treated as Non-current and valued at Cost. Provision for Permanent diminution in value has been made, wherever necessary.

13. CONTINGENT LIABILITIES

Contingent Liabilities are not provided for and are disclosed by way of notes.

TUBEKNIT FASHIONS LIMITED

II. NOTES ON ACCOUNTS

1. Adjustments for Changes in Accounting Policies

Deferred Revenue Expenditure

Premium paid to IDBI on Reduction in rate of Interest is treated as deferred revenues in books for the year ended 31.03.2005 and charged on time basis over balance period of loan. However as per Accounting standard AS 26 (Intangible Assets) which is mandatory from 2003-04 financial year, the amount lying in Deferred revenue expenditure (IDBI LOAN INTEREST) was identified as Intangible item and same was provided fully for accounting year ended 31.03.2005.

2. Non-Adjustments

In the opinion of the board, current assets, loans and advances have a value of at least equal to the amounts shown in the Balance sheet, if realized in the ordinary Course of business. The provision for all the Known liabilities is adequate and not in excess of the amount reasonable necessary.

3. SEGMENT REPORTING

a) Primary Segment reporting (By Business segment)

The Company is engaged only in one Segment Garments. 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:-

Particulars	31.12.06		2005-06		2004-2005		2003-2004	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Europe	6992.31	80.28%	11154.28	85.38%	8615.59	86.98%	6835.35	96.11%
Others	1717.26	19.72%	1909.95	14.62%	1288.72	13.02%	276.89	3.89%
Total	8709.57	100.00%	13064.23	100.00%	9904.31	100.00%	7112.24	100.00%

(Rupees In Lakhs)

The Company has common fixed assets for producing goods for Europe and others. Hence separate figures for fixed assets/additions to fixed assets cannot be furnished.

4. DEFERRED TAX

Deferred Tax Liability / (Assets) as per books of accounts

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	(Rupees In Lakhs)					
Deferred Tax Liability	467.72	481.00	459.67	322.36	159.17	0
Deferred Tax Assets	(114.52)	(129.63)	(67.83)	(8.96)	(1.77)	0

5. EARNING PER SHARE

Period/Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	(Rupees In Lakhs)					
EPS (in Rs.)	4.98	7.78	1.19	0.97	0.70	1.90
Profits available for Equity Shareholders (in Rs. Lakhs)	623.78	974.37	149.31	121.95	87.37	142.41
Weighted Average Number of Outstanding Equity Shares						
1.Number of Equity Shares at the Beginning of the Year	12520000	12520000	12520000	12520000	12520000	3000000
2.Number of Equity Shares at the end of the year	12520000	12520000	12520000	12520000	12520000	12520000
3.Weighted average number of Equity shares Outstanding during the year	12520000	12520000	12520000	12520000	12520000	75000000

6. IMPACT ON ACCOUNT OF ADJUSTMENTS REQUIRED BY PARAGRAPH 6.18.7 (b) OF THE GUIDELINES:

Adjustments on account of changes in Accounting Policies:

Period/Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	(Rupees In Lakhs)					
Net Profit after tax as per Accounts	623.78	892.71	230.97	121.95	87.37	142.41
Adjustments towards:						
Deferred Revenue Expenditure	NIL	81.66	(81.66)			
Adjusted Profits	623.78	974.37	149.31	121.95	87.37	142.41

7. Figures of Previous Years have been regrouped / rearranged wherever necessary.

Annexure 4

Statement of Loans and Advances

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	(Rupees In Lakhs)					
Advances recoverable in Cash or in kind or for value to be received	2093.16	1182.44	637.80	651.48	726.86	522.88
Employee Loans & Advances	18.03	23.59	18.77	12.91	12.35	22.50
Advance Income Tax	0.00	3.00	3.00	0.00	0.00	0.00
Tax Deducted at Source	74.40	61.20	47.91	21.60	11.60	16.16
Deposit with Government	57.90	51.50	32.97	25.18	28.97	1.77
Total	2243.49	1321.73	740.44	711.17	779.78	563.31

Advances Recoverable in cash or in kind for value to be received from related parties

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	(Rupees In Lakhs)					
Promoters						
Group Entities						
Tubetex Compacting Company	0.00	0.00	0.00	0.00	11.00	0.00
Tubeknit Finishers	48.93					
Vikram Printing	4.47	0.00	0.00	0.00	0.00	0.00
Tubetex International	8.06	0.00	0.00	64.04	84.00	31.00
Hotel Vikram	1.56	0.00	28.84	0.00	0.00	0.00
Tubetex Wave	0.00	0.00	0.00	0.00	0.00	53.00
Reliance Textile Processing	0.00	0.00	0.00	0.00	28.00	138.00

Notes:

- 1) **Related Parties:** The enterprises mentioned above have Key Management Personnel and / or their relatives in common with the reporting enterprise.
- 2) Related parties are as identified by management and relied upon by the auditors

Accounting Ratios

S. No.	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A	Earnings Per Share – In Rs.	4.98	7.78	1.19	0.97	0.70	1.90
	Profits available to Equity Shareholders (in Rs. Lakhs)	623.78	974.37	149.31	121.95	87.37	142.41
	Weighted Average Number of Equity Shares	12520000	12520000	12520000	12520000	12520000	7500000
B	Return on Networth	17.50%	33.10%	6.23%	5.27%	3.86%	6.17%
C	Net Asset Value per share (in Rs.)	28.48	23.52	19.14	18.46	18.08	18.42

Notes:

A. The Ratios have been computed as below:

1 Earning Per Share (Rs.):

$$\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{Weighted Avg. no. of Equity Shares Outstanding during the year}}$$

2 Return on Networth (%):

$$\frac{\text{Net Profit After Tax}}{\text{Net Worth excluding Revaluation Reserve at the end of the year}}$$

3 Net Asset Value per Share (Rs.):

$$\frac{\text{Net Worth excluding Revaluation Reserve at the end of the year}}{\text{Number of Equity Shares outstanding during the year}}$$

- B. The above ratios have been computed on the basis of the adjusted profits / losses for the respective years as per the statement of Profits and Losses, as stated.
- C. Earnings Per Share is computed in accordance with Accounting Standard, 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India

**Annexure 6****Capitalisation Statement**

Particulars	Rs. In Lakhs		
	Pre-Issue as at 31.12.2006	Pre-Issue as at 31.03.2006	As adjusted for issue
Short Term Debt	NIL	NIL	[●]
Long Term Debt	2103.38	2551.16	[●]
Shareholders' Funds			
Share Capital	1252.00	1252.00	[●]
Reserves	2336.07	1712.29	[●]
Total Shareholders' Funds	3588.07	2964.29	
Long Term Debt / Equity	0.59:1	0.86:1	[●]

Note: Share capital and Reserves (Post Issue) can be calculated only on conclusion of Book building process.

Statement of Tax Shelters

Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Rs. In Lakhs					
Profit as per Audited Accounts (A)	623.78	796.33	145.21	40.31	82.38	153.54
Tax at actual rate on book profits	319.77	353.76	28.49	0.00	0.00	0.00
Permanent Differences						
Adjustments: Profit on Sale of Assets		NIL	(0.30)	(2.98)	0.00	0.00
Deduction U/S 80 HHC		NIL	0.00	0.00	(65.91)	0.00
Disallowances	331.67	595.37	240.11	312.02	95.50	57.20
Total Permanent Differences (B)	331.67	595.37	239.81	309.04	29.59	57.20
Timing Differences						
Differences between Income Tax and Book Depreciation	39.42	(166.39)	(412.71)	(443.81)	(69.53)	(124.24)
Unabsorbed Depreciation		(161.35)	0.00	0.00	(44.49)	(89.51)
Disallowance & Subsequent Allowable	(44.89)	(12.96)	(59.02)	19.91	2.05	3.01
Total Timing Differences (C)	(5.48)	(340.70)	(471.73)	(423.90)	(111.97)	(210.74)
Net Adjustments(B+C)	(326.19)	(254.67)	(231.92)	(114.98)	82.38	(153.54)
Income From Business as per Tax Returns (D) =(A-(B+C))	949.97	1051.00	(86.71)	(74.55)	NIL	NIL



Annexure 8

Statement of Cash flows from the Financial Statements

(Rupees In Lakhs)

Sl. No.	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars	Rs. In Lakhs					
A.	Cash Flow from Operating Activities						
	Profit before tax	950.30	1262.35	297.86	327.77	163.78	189.21
	Adjustments for Pre-operative expenses written off	4.59	6.12	5.87	5.87	3.83	3.83
	Depreciation	366.36	413.33	447.18	278.05	254.43	289.25
	Profit on sale of assets	0.31					
	Finance Cost	409.18	655.98	583.59	389.51	315.26	366.39
	Operating Profits before Working Capital Changes	1730.74	2337.78	1334.50	1001.12	737.30	848.68
	Adjustments for Inventories	(339.68)	(349.44)	(307.58)	(82.13)	(576.58)	(194.13)
	Debtors	41.50	170.24	(132.28)	(187.85)	82.84	134.31
	Loans & Advances	(921.75)	(499.63)	(29.28)	68.61	(216.48)	133.36
	Current Liabilities	160.28	(57.27)	170.90	(77.55)	588.95	170.89
	Provisions	NIL	(18.00)	(1.00)	19.91	2.05	3.01
	Less: Interest Paid on Working Capital Loans	297.11	413.34	338.49	290.81	194.25	235.36
	Total A	17.25	1170.34	696.77	451.30	423.83	860.76
B	Cash Flow from Investment Activities						
	Purchase of Fixed Assets	(481.69)	(1000.60)	(397.93)	(755.61)	(815.46)	(282.78)
	Sale of Fixed Assets	1.75	-	0.54	10.86	-	0.06
	Investments	(10.00)	(10.00)	-	-	-	-
	Pre-operative expenses for new project	(6.15)	-	-	(117.11)	(67.10)	(2.77)
	Total B	(496.09)	(1010.60)	(397.39)	(861.86)	(882.56)	(285.49)

TUBEKNIT FASHIONS LIMITED

Sl. No.	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars	Rs. In Lakhs					
C	Cash Flow from Financing Activities						
	Proceeds from issue of Share capital	-	-	-	-	-	352.00
	Share Capital Advance	-	-	-	-	-	(352.00)
	Proceeds from Borrowings	809.80	788.94	211.31	581.11	827.87	3.00
	Repayment of Loans	(3.51)	(7.90)	(174.62)	(2.93)	(28.59)	(296.87)
	Repayment of Preference Share Capital	NIL	(360.00)	-	-	-	
	Less: Interest paid on term loans	112.08	242.64	245.10	98.70	121.00	131.03
	Income Tax paid	356.75	-	-	-	-	-
	Dividend paid-Preference	NIL	93.60	46.80	46.80	46.80	40.26
	Dividend paid- Equity	62.60	62.60	62.60	-	-	
	Dividend Tax	8.78	20.86	14.02	6.00	-	4.11
	Total C	622.83	1.34	(331.83)	426.68	631.48	(469.27)
	Net Increase in Cash & Cash equivalents (A+B+C)	143.99	161.08	(32.44)	16.18	172.75	106.00
	Opening balance of Cash & Cash equivalents	454.02	292.94	325.38	309.20	136.45	30.45
	Closing balance of Cash & Cash equivalents	598.01	454.02	292.94	325.38	309.20	136.45
	Net Increase / (Decrease) in Cash Equivalents	143.99	161.08	(32.44)	16.18	172.75	106.00

Annexure 9
STATEMENT OF TAX BENEFITS

Please refer to section “ Statement of Tax benefits “ on Page 34 of this red Herring Prospectus.



Annexure 10

Related parties transactions carried Out with them

As Per Accounting standard 18

List of Related Parties

Mr. P. Parthasarathi

Mrs. P. Maheswari

Period / Year Ended			31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Sl. No.	Particulars of Transactions	Name of the company	Balance Outstanding Receivables (+) / Payables (-) (Rupees In Lakhs)					
1	Compacting Charges / Cloth Sales	Tube Tex Compacting Company	(-)113.29	(-) 113.29	(-) 31.46	(-) 33.68	(+) 11	(-) 25
2	Screen Printing Charges	Vikram Printing	(+)4.47	(-) 16.06	(-)27.38	(-) 35.05	(-) 35.33	(-)29
3	Screen Printing Charges	Intime Textiles Limited	(-) 42.99	(-) 25.79	(-)38.47	(-) 32.90	(-) 10.86	(-)9
4	Dyeing Charges	Vikram Agencies	0.00	NIL	(-) 30.61	(-) 42.40	0	0
5	Sales / Purchase Hosiery Goods	Tubetex International	(+) 8.06	NIL	(-)0.45	(+)64.04	(+) 84	(+) 31
6	Payment / Receipts	Tubetex International	NIL	(-) 0.09	NIL	NIL	NIL	Nil
7	Hotel Charges	Hotel Vikram	(+) 1.56	(+) 1.85	(+)28.84	0	0	0
8	Sales/Purchase of Hosiery Goods	Tube Tex Wave	(-) 15.19	NIL	(-)18.52	(-) 45.25	(-) 4	(+) 53
9	Payment / Receipts	Tube Tex Wave	NIL	(-) 0.69	NIL	NIL	Nil	NIL
10	Sales / Purchase	Reliance Textile Processing	(-)8.97	(-) 8.97	(-) 22.96	(-) 16.59	(+) 28	(+) 138
11	Compacting Charges	Tube Tex Knit Finishers	(+) 48.93					

TUBEKNIT FASHIONS LIMITED
Annexure 11
Statement of Investments:

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Rs. In Lakhs					
1000 Equity Shares of Rs. 1000 each of Tirupur Infrastructure Develop Co. Ltd.	10.00	10.00	0.00	0.00	0.00	0.00
100000 units of Rs. 10/- each of SBI MUTUAL FUND	10.00					
Total	20.00	10.00	0.00	0.00	0.00	0.00

Annexure 12
Statement of Sundry Debtors

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Rs. In Lakhs					
A. Debtors outstanding for a period exceeding six months	10.12	9.72	75.49	70.58	28.78	126.88
B. Other Debts (Considered good)	665.51	707.42	811.89	684.52	1285.59	1270.33
Total	675.63	717.14	887.38	755.10	1314.37	1397.21

Annexure 13
Statement of Unsecured loans

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Rs. In Lakhs					
Citibank N A – Qualis Car	NIL	NIL	3.41	7.16	NIL	NIL
Citibank NA-Q 2929	NIL	NIL	NIL	NIL	NIL	2.33
Citibank N A –T2929	NIL	NIL	NIL	NIL	NIL	0.43
Citicorp	NIL	NIL	NIL	NIL	NIL	0.55
Citibank 1845	NIL	NIL	NIL	0.30	1.50	2.70
Sundaram Finance	NIL	NIL	NIL	0.67	1.67	2.67
Centurion Bank	NIL	NIL	NIL	0.67	1.40	0.08
HDFC Bank Ltd. – Car Loan	NIL	3.51	8.01	NIL	NIL	NIL
Anamallais Agencies – FE444	NIL	NIL	NIL	NIL	NIL	1.42
Cholamandalam Finance 6039	NIL	NIL	NIL	NIL	NIL	0.56
Cholamandalam Finance 8604	NIL	NIL	NIL	NIL	NIL	0.55
Citibank NA Leyland	NIL	NIL	NIL	NIL	NIL	1.83
Citibank NA Opel	NIL	NIL	NIL	NIL	NIL	NIL
Loan from Directors	NIL	NIL	NIL	NIL	NIL	6.17
Total	NIL	3.51	11.42	8.80	4.57	19.29

Annexure 14
Statement of Secured loans

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	Rs. In Lakhs					
IDBI – Term Loan	1945.78	2371.16	1949.04	2118.28	1655.21	1092.00
State Bank of India – PCL	2629.10	1866.52	1679.69	1476.39	1365.51	1217.32
State Bank of India – Term Loan	157.60	180.00	NIL	NIL	NIL	13.88
State Bank of India – FBN	NIL	NIL	NIL	NIL	747.13	630.66
UTI Bank Short Term Loan	495.00					
Total	5227.48	4417.68	3628.73	3594.67	3767.85	2953.86

Notes:

The following charges have been created on the above mentioned loans:

- First charge on the whole of the movable properties of the company including the plant and machinery acquired / to be acquired out of the proceeds of the loan and all other movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except book debts) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or shall hereafter from time to time during the continuance of the security be brought into or upon or be stored in or about the company's factories, premises and godowns or wherever else the same may be or be held by any party to the order or disposition of the company or in the course of transit or on high seas or on order, or delivery, howsoever and wheresoever in the possession of the Company and either by way of substitution or addition – IDBI Term Loan
- Second Charge on all stocks of raw materials, stocks in process, finished goods, stores, accessories, spares, plant and machinery, vehicles, furniture and other movable assets including book debts and receivables. – State Bank of India – Working Capital Loan

Annexure 15
Statement of Contingent liabilities

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	Rs. In Lakhs					
Counter guarantee given to banks	20.75	20.75	163.40	288.60	231.80	273.66
Letter of credit	47.49	140.45	210.13	127.50	0.00	0.00
Foreign Bills discounted with banks but pending realization	1296.38	1567.24	1069.58	1141.75	747.13	630.66
Total	1364.62	1728.44	1443.11	1557.85	978.93	904.32

Statement of Other Income

As at	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
Particulars	(Rs. In Lakhs)					
Bank Interest	19.66	16.42	33.63	27.94	32.05	1.84
Labour Charges	1057.60	1528.24	1247.90	942.58	717.94	653.72
Quota Sales	NIL	NIL	0.20	1.55	3.17	0.00
Insurance Claim & Discount Received	25.27	1.26	0.64	NIL	0.69	0.56
Interest on Income Tax Refund	NIL	NIL	0.81	0.48	NIL	NIL
Stitching Charges received	26.45	16.82	241.09	482.44	5.09	7.25
Cash Incentives	395.66	653.03	653.66	728.43	517.48	534.90
Machinery Rent	NIL	NIL	9.40	0.36	NIL	NIL
DEPB	NIL	NIL	11.41	0.42	NIL	NIL
Rep Licence	NIL	NIL	NIL	NIL	0.29	7.53
Drawback	NIL	NIL	NIL	NIL	NIL	NIL
Lease Income	NIL	NIL	NIL	NIL	NIL	NIL
Exchange Fluctuation	NIL	0.73	NIL	NIL	NIL	NIL
Total	1524.64	2216.50	2198.74	2184.20	1276.71	1205.80



GROUP COMPANIES

I. Hotel Vikram (HUF)

Mr. P. Parthasarathi - Karta

Financial Performance

Particulars	For the Financial Year ended March 31			
	2006	2005	2004	2003
	Amount (Rupees In Lakhs)			
Net Profit as per Profit & Loss A/c.	15.22	18.42	16.79	7.61
Income from Business	124.62	117.98	94.98	95.14
Profit after taxation	15.22	18.42	16.79	7.61
Capital Account P. Parthasarathi (HUF)	31.15	31.15	31.15	31.15
Current Account P. Parthasarathi (HUF)	21.57	27.03	27.03	27.03

II. Intime Textile Limited

Intime Textiles Limited was incorporated under the Companies Act vide Certificate of Incorporation No. 181-6007 dated April 5, 1995. The registered office of the company is at 394 Dharapuram Road, Tirupur 641 604.

The company is engaged in the business of manufacturers, dealers, importers, exporters, sponsors, agents, factors, merchants printers and processors of all kind of cotton yarns, synthetic yarns, cloth and garments.

Board of Directors

1. K.L. Palanisamy
2. P. Selvamani
3. P. Parthasarathi
4. P. Maheswari
5. M. Prakash
6. M. Kumar
7. T. J. Delhi Babu

Shareholding Pattern

The shareholding pattern of Intime Textiles Limited is as follows:

S. No.	Name of Shareholder	No. of shares	% of Shareholding
1.	K.L.Palanisamy	58760	12.50
2.	P. Selvamani	58760	12.50
3.	P.Parthasarathi	58760	12.50
4.	P. Maheswari	58760	12.50
5.	M. Prakash	58760	12.50
6.	M. Kumar	58760	12.50
7.	T. J. Delhi Babu	117520	25.00
	Total	470080	100.00

TUBEKNIT FASHIONS LIMITED

Financial Performance

Particulars	For the Financial Year ended March 31			
	2006	2005	2004	2003
	Amount (Rupees In Lakhs)			
Total Income	568.12	444.43	602.06	635.20
Profit after taxation	12.95	13.29	4.99	22.13
Equity Share Capital	47.00	47.00	31.00	31.00
Reserves & Surplus	81.20	75.43	62.14	57.15
Networth	128.20	122.44	93.15	88.16
NAV per Share (Rs.)	27.27	26.05	30.04	28.43
EPS per Share (Rs.)	2.75	2.83	1.61	7.14

III. M/s. Vikram Printings (Partnership Firm)

M/s. Vikram Printings is a registered partnership firm between the partners Mr. P. Parthasarathi, Mrs. P. Maheswari, Mr. L. Sivakumar and Mr. S. Balachandran. M/s. Vikram Printings has its office at 27, Pethichettipuram 2nd Street, Tirupur – 641 601.

Partners of M/s. Vikram Printings

M/s. Vikram Printings was registered as a Partnership Firm vide Partnership Deed dated September 17, 1999. The firm has four partners and their profit sharing ratio are as follows:

1. Mr. P. Parthasarathi 25%
2. Mrs. P. Maheswari 25%
3. Mr. L. Sivakumar 25%
4. Mr. S. Balachandran 25%

Financial Performance

Particulars	For the Financial Year ended March 31			
	2006	2005	2004	2003
	Amount (Rupees In Lakhs)			
Total Income	213.68	180.06	162.05	92.69
Net Profit as per Profit & Loss Account	9.71	3.96	0.70	3.15
Taxable Income	9.71	2.95	0.30	2.73
Partner's Capital Account	6.50	6.50	6.50	6.50
Partner's Current Account	14.16	9.98	7.53	2.63



IV. M/s. Tubetex International (Sole Proprietorship concern) Mrs.P.Maheswari

Tubetex International is engaged in the business of trading of garments for Exports.

Particulars	For the Financial Year ended March 31			
	2006	2005	2004	2003
	Amount (Rupees In Lakhs)			
Total Income	NIL	448.41	157.22	153.38
Net Profit as per Profit & Loss Account	(0.14)	1.41	14.47	15.75
Partner's Capital Account	147.29	147.29	147.29	7.23
Partner's Current Account	(138.31)	(143.29)	(130.49)	NIL

V. M/s. Tubetex Compacting Company (Partnership Firm)

M/s. Tubetex Compacting Company is a registered partnership firm between Mr. P. Parthasarathi, Mrs. P. Maheswari and Mr. A. Satheesh Kumar under a deed dated March .31, 1998. M/s. Tubetex Compacting Company has its office at Tirupur.

Partners of M/s. Tubetex Compacting Company

M/s. Tubetex Compacting Company on registration had three partners:

1. Mr. P. Parthasarathi
2. Mrs. P. Maheswari
3. Mr. A. Satheesh Kumar

Vide a deed of Retirement dated April 1, 2002, Mr. A. Satheesh Kumar retired as partner of M/s. Tubetex Compacting Company and their profit sharing ratio of Continuing Partners are as follows:

1. Mr. P. Parthasarathi - 50%
2. Mrs. P. Maheswari - 50%

Financial Performance

Particulars	For the Financial Year ended March 31			
	2006	2005	2004	2003
	Amount (Rupees In Lakhs)			
Total Income	66.07	58.70	54.38	127.78
Net Profit as per Profit & Loss Account	3.29	2.86	8.06	(5.82)
Partner's Capital Account	18.48	18.48	18.48	18.48
Partner's Current Account	17.71	15.56	22.95	15.89

VI. M/s. Reliance Textile Processing (Partnership Firm)

M/s. Reliance Textile Processing is a registered partnership firm between Mr. P. Parthasarathi, Mrs. P. Maheswari and Mr. K. L. Palaniswamy under a deed dated September 22, 1995. M/s. Reliance Textile Processing has its office at Tirupur.

Partners of M/s. Reliance Textile Processing

M/s. Reliance Textile Processing on registration had three partners and their profit sharing ratios were as follows:

1. Mr. P. Parthasarathi
2. Mrs. P. Maheswari
3. Mr. K. L. Palaniswamy

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Vide a deed of Retirement dated November 10, 1995, Mr. K. L. Palaniswamy retired as Partner of M/s. Reliance Textile Processing and the profit sharing ratios of the continuing partners are as follows:

1. Mr. P. Parthasarathi
2. Mrs. P. MAheswari

Financial Performance

Particulars	For the Financial Year ended March 31		
	2005	2004	2003
	Amount (Rupees In Lakhs)		
Total Income	9.32	46.11	139.50
Net Profit as per Profit & Loss Account	(2.20)	(9.61)	30.44
Partner's Capital Account	206.80	206.80	206.80
Partner's Current Account	(126.98)	101.65	92.49

VII. Tubetex Wave (Sole Proprietorship Concern) Mr. Parthasarathi

Tubetex wave is engaged in the business of trading of garments for Exports.

Particulars	For the Financial Year ended March 31			
	2006	2005	2004	2003
	Amount (Rupees In Lakhs)			
Total Income	14.95	39.88	239.55	192.56
Net Profit as per Profit & Loss Account	(1.73)	(15.59)	29.81	17.92
Partner's Capital Account	287.83	287.83	287.83	77.68
Partner's Current Account	(231.27)	(203.66)	(185.59)	0.00

VIII. M/s. Tube Tex Knit Finishers(Partnership Firm)

M/s. Tube Tex Knit Finishers is a registered partnership firm between the partners Mr. P. Parthasarathi and Mrs. P. Maheswari. M/s. Tube Tex Knit Finishers has its office at Tirupur.

Partners of M/s. Tube Tex Knit Finishers

M/s. Tube Tex Knit Finishers was registered as a Partnership Firm vide Partnership Deed dated April 7, 2006. The firm has two partners and their profit sharing ratio are as follows:

1. Mr. P. Parthasarathi 50%
2. Mrs. P. Maheswari 50%

Financial Performance

The Partnership Firm was formed only on 7th April 2006 and hence the disclosure of past financial performance does not arise.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION

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 x 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 Tubeknit Fashions Limited on a standalone basis, and, unless otherwise stated, is based on our restated 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 nine months ended December 31, 2005 have also been stated alongside.

Business Overview

Our company was set up as a partnership firm in 1988. Our company was reconstituted as private limited company by taking over all the assets and liabilities of the partnership firm as a going concern on 30.08.1996. Our company became a public limited company on 31.12.1999, subsequently changed our name to Tubeknit Fashions Limited.

Take-over of the Fabric Dyeing Division of group Partnership Firm

To further strengthen our operation on corporate structure and to move up in the value chain by entering into the business of garment export, which is expected to show manifold increase in the post quota region, we decided to takeover Fabric dyeing facility of Reliance Textiles Processing, our group Partnership Firm. .

Our company has an integrated manufacturing setup in Tirupur which enables the company to undertake all the activities in manufacturing process in-house. Our company has been one of the leading exporter of hosiery garments for about two decades. It was set up as a partnership firm In 1988. It was reconstituted as a private limited company in 1996 and converted into a public limited company in 1999. Our company has grown continuously to reach the present height and has developed a fully integrated vertical setup. We cater to the demand of leading International brands. We have over last two decades grown to a separate garment unit, knitting unit and stitching unit covering totally 1 39 000 sq.ft. employing over 1089 employees directly and 1200 employees indirectly.

Presently, we derive almost the entire revenue from export of knitted garments. Our company has over two decades of experience in this business, mainly European Union, where it has earned a niche for itself by focusing on the high style garments. Our manufacturing facilities are spread across 4 locations, in and around Tirupur fully backed up by the facilities for product development, design studio and efficient sampling infrastructure to provide quality service to customers.

The company over a period of time, expanded its capacity to 38,000 pieces per day, which has enabled it to become one of the largest exporter of knitted garments in Tirupur.

Significant developments subsequent to the last financial year

Except the material developments as disclosed in the section title "Material Developments" at Page No. 103 of the Red Herring Prospectus in the opinion of the Board of Directors, there have not arisen, since the date of the last financial statement any circumstances that materially or adversely affect or are likely to affect the profitability of the company or our ability to pay our liabilities within the next 12 months.

Factors affecting our results of operations

- Changes in consumer preferences
- Changes in government policy relating to textile industry
- Imposition of anti-dumping duties by importing countries
- Appreciation of Indian Rupee in relation to US Dollar and other currencies
- Prices of raw material

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Discussion on result of operations

A summary of our past financial results based on our restated accounts is given below:

Statement of Profits and Losses

Sl. No.	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars	Rs. In Lakhs					
A	INCOME						
	Sales of Products						
	Export Sales	7261.63	11535.15	8617.59	7052.35	4755.66	4432.19
	Domestic Sales	1447.94	1529.08	1286.72	59.89	686.05	808.68
	Variance in Stock - Increase or (Decrease)	(117.24)	301.88	131.99	(213.45)	438.50	106.52
	Total	8592.33	13366.11	10036.30	6898.79	5880.21	5347.39
	Other Income	1524.64	2216.50	2198.74	2184.20	1276.71	1205.80
	Total	10116.97	15582.61	12235.04	9082.99	7156.92	6553.19
B	EXPENDITURE						
	Raw Materials consumed	5561.96	8608.69	7420.87	5253.48	4035.31	3541.31
	Manufacturing Expenses	1693.46	2923.76	2232.00	1753.91	1514.82	1491.84
	Administrative, Selling & Distribution Expenses	1131.12	1712.38	1247.67	1074.40	869.49	671.35
	Finance Cost	409.18	655.98	501.93	389.51	315.26	366.39
	Preoperative Expenses written off	4.59	6.12	5.87	5.87	3.83	3.83
	Total	8800.31	13906.93	11408.34	8477.17	6738.71	6074.72
	Net Profit Before Depreciation, Tax &						
	Extraordinary Items	1316.66	1675.68	826.70	605.82	418.21	478.47
	Less: Depreciation	366.36	413.33	447.18	278.05	254.43	289.26
	Net Profit before Tax &						
	Extraordinary Items	950.30	1262.35	379.52	327.77	163.78	189.21
	Less: Taxation						
	Provision for Current Tax	320.00	350.00	17.50			
	Provision for Fringe Benefit Tax	5.00	6.75				
	Deferred Tax Liabilities	(13.27)	21.33	137.31	163.19	24.33	
	Deferred Tax Assets	15.11	(61.80)	(58.88)	(7.19)	(0.72)	
	Provision for Proposed Dividend - Pref. Shares	NIL	46.80	46.80	46.80	46.80	46.80
	Provision for Dividend Tax	NIL	6.56	6.12	6.00	6.00	
	Net Profit before Extraordinary Items	623.46	892.71	230.67	118.97	87.37	142.41
	Extraordinary Items	0.32		0.30	2.98		



Sl. No.	Period / Year ended	31.12.06	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
	Particulars	Rs. In Lakhs					
	Net Profit after Extraordinary Items	623.78	892.71	230.97	121.95	87.37	142.41
	Impact on account of adjustments required By paragraph 6.18.7 (b) of Changes VI of the Guidelines (Refer Note II (6))	NIL	81.66	(81.66)			
	Profit available for Appropriation	623.78	974.37	149.31	121.95	87.37	142.41
	Accumulated Profits from Previous Years	1286.29	768.30	704.77	664.44	715.86	1178.45
	Less: Appropriations						
	Opening Deferred Tax Liabilities					134.84	
	Opening Deferred tax asset					(1.05)	
	Provision for Proposed Dividend - Equity Shares		62.60	62.60	62.60		
	Provision for Dividend Tax		8.78	8.18	8.02		
	Transfer to General Reserve		25.00	15.00	11.00	5.00	5.00
	Amount utilised for Bonus Issue						600.00
	Capital Redemption Reserve		360.00				
	Balance Carried to Statement of Assets and Liabilities	1910.07	1286.29	768.30	704.77	664.44	715.86

Review of result of operations

Comparison of Financial Year 2006 with Financial Year 2005

Operational Income

The operational income has increased from Rs. 12235.04 lakhs in financial year 2005 to Rs. 15582.61 lakhs in financial year 2006, indicating a growth of 27.36% consequent to substantial improvement in export sales and domestic sales (Yarn sales and cloth sales for garment manufacturers)

Other Income

Labour Charges

The Labour Charges increased from Rs. 1247.90 lakhs in Financial year 2005 to Rs. 1528.24 lakhs in Financial year 2006 indicating a growth of 22.46%.

Exchange Fluctuation

During the Financial year 2006, the Company earned income arising from Exchange Fluctuation Rs. 0.73 lakhs as against nil income during the previous year.

Cash Incentives

Cash Incentive earned is Rs. 653.03 lakhs in the year 2006 which is almost equal to last year's income of Rs. 653.66 lakhs.

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Raw Material consumption

The raw material consumption has increased from Rs. 7420.87 lakhs in Financial year 2005 to Rs. 8608.69 lakhs in financial year 2006, showing an increase of 16.01%. An increase in raw material consumption as a percentage of net operational income for financial year 2006 was 55.25% as compared to 60.65% for financial year 2005.

Manufacturing Expenses

The manufacturing expenses have increased from Rs. 2232.00 lakhs in financial year 2005 to Rs. 2923.76 lakhs in financial year 2006, showing an increase of 30.99%. The manufacturing expenses as a percentage of operational income for financial year 2006 was 18.76% as compared to 18.24% for financial year 2005. This reduction is due to economies of scale, improvement in operation.

Employees Remuneration and Benefits

The employee remuneration and benefits have shown a year growth of 37.25% due to new recruitments and rationalization of pay structure of employees.

Administrative, Selling and Distribution Expenses

In absolute term, Administrative, Selling and Distribution expenses have shown an increase of 37.25%. They account for 10.99% and 10.19% of net operational income for financial year 2006 and 2005 respectively.

Interest and Finance Charges

Interest and finance charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute term, interest and finance charges has gone up by 30.69%.

Comparison of Financial Year 2005 with Financial Year 2004

Operational Income

The operational income has increased from Rs. 9082.99 lakhs in financial year 2004 to Rs. 12235.04 lakhs in financial year 2005, indicating a growth of 34.70% consequent to substantial improvement in export sales and domestic sales (Yarn sales and cloth sales for garment manufacturers)

Raw Material consumption

The raw material consumption has increased from Rs. 5253.48 lakhs in Financial year 2004 to Rs. 7420.87 lakhs in financial year 2005, showing an increase of 41.25%. An increase in raw material consumption as a percentage of net operational income for financial year 2005 was 60.65% as compared to 57.83% for financial year 2004.

Manufacturing Expenses

The manufacturing expenses have increased from Rs. 1753.91 lakhs in financial year 2004 to Rs. 2232.00 lakhs in financial year 2005, showing an increase of 27.32%. The manufacturing expenses as a percentage of operational income for financial year 2005 was 18.24% as compared to 19.31% for financial year 2004. This reduction is due to economies of scale, improvement in operation.

Employees Remuneration and Benefits

The employee remuneration and benefits have shown a year growth of 21.64% due to new recruitments and rationalization of pay structure of employees.

Administrative, Selling and Distribution Expenses

In absolute term, Administrative, Selling and Distribution expenses have shown an increase of 16.12%. They account for 10.19% and 11.82% of net operational income for financial year 2005 and 2004 respectively, thus showing a marginal decreased in Financial year 2005.

Interest and Finance Charges

Interest and finance charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute term, interest and finance charges has gone up by 28.86%.

Comparison of Financial Year 2004 with Financial Year 2003

Operational Income

The operational income has increased from Rs. 7156.92 lakhs in financial year 2004 to Rs. 9082.99 lakhs in financial year



2005, indicating a growth of 26.91% consequent to substantial improvement in export sales and domestic sales (Yarn sales and cloth sales for garment manufacturerers)

Raw Material consumption

The raw material consumption has increased from Rs. 4035.31 lakhs in Financial year 2003 to Rs. 5253.48 lakhs in financial year 2004, showing an increase of 30.19%. An increase in raw material consumption as a percentage of net operational income for financial year 2004 was 57.83% as compared to 56.38% for financial year 2003.

Manufacturing Expenses

The manufacturing expenses have increased from Rs. 1514.82 lakhs in financial year 2003 to Rs. 1753.91 lakhs in financial year 2004, showing an increase of 15.78%. The manufacturing expenses as a percentage of operational income for financial year 2004 was 19.31% as compared to 21.16% for financial year 2003. This reduction is due to economies of scale, improvement in operation.

Employees Remuneration and Benefits

The employee remuneration and benefits have shown a year growth of 14.51% due to new recruitments and rationalization of pay structure of employees.

Administrative, Selling and Distribution Expenses

In absolute term, Administrative, Selling and Distribution expenses have shown an increase of 23.57%. They account for 11.82% and 12.15% of net operational income for financial year 2004 and 2003 respectively, thus showing a marginal decreased in Financial year 2004.

Interest and Finance Charges

Interest and finance charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute term, interest and finance charges has gone up by 23.55% .

Comparison of Financial Year 2003 with Financial Year 2002

Operational Income

The operational income has increased from Rs. 6553.19 lakhs in financial year 2002 to Rs. 7156.92 lakhs in financial year 2003, indicating a growth of 9.21% consequent to substantial improvement in export sales and domestic sales (Yarn sales and cloth sales for garment manufactories)

Raw Material consumption

The raw material consumption has increased from Rs. 3541.31 lakhs in Financial year 2002 to Rs. 4035.31 lakhs in financial year 2003, showing an increase of 13.95%. An increase in raw material consumption as a percentage of net operational income for financial year 2003 was 56.38% as compared to 54.04% for financial year 2002.

Manufacturing Expenses

The manufacturing expenses have increased from Rs. 1491.84 lakhs in financial year 2002 to Rs. 1514.82 lakhs in financial year 2003, showing an increase of 1.54%. The manufacturing expenses as a percentage of operational income for financial year 2003 was 21.16% as compared to 22.76% for financial year 2002. This reduction is due to economies of scale, improvement in operation.

Employees Remuneration and Benefits

The employee remuneration and benefits have shown a year growth of 0.97% due to new recruitments and rationalization of pay structure of employees.

Administrative, Selling and Distribution Expenses

In absolute term, Administrative, Selling and Distribution expenses have shown an increase of 29.51%. They account for 12.15% and 10.24% of net operational income for financial year 2003 and 2002 respectively.

Interest and Finance Charges

Interest and finance charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute term, interest and finance charges has gone down by 16.22% .

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Information required as per clause 6.10.5.5 (a) of SEBI DIP Guidelines

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that has significantly affected the business of our Company.

Significant economic changes that materially affected or are likely to affect income from continuing operations

An additional incentive of 10% Of capital subsidy over and above the 5% interest subsidy under TUFS for the specified textile Processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during the period from April 20,2005 to March 31st 2007.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

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

Not applicable

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 growth in revenues is in line with rising trend in the business volume of our company.

Total turnover of each major industry segment in which the company operated (for the FY 05)

Primary and only segment in Geographical.

Client	2005-2006		2004-2005		2003-2004	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Europe	12694.37	97.17%	8615.59	86.98%	6835.35	96.11%
Others	369.86	2.83%	1288.72	13.02%	276.89	3.89%
Total	13064.23	100.00%	9904.31	100.00%	7112.24	100.00%

Status of any publicly announced new products or business segment

The company has not publicly announced any new products or segments.

The extent to which business is seasonal

In the garment business of our company, the range of the product changes according to the season, therefore the business of our company is seasonal to that extent.

Any significant dependence on a single or few suppliers or customers

Please refer to the section "Our Business" on page 49 in this Red Herring Prospectus.

Competitive conditions

Globally in textile industry the quantitative and fiscal restrictions imposed by importing countries have done away consequent to removal of quota system with effect from January 1, 2005 that has resulted in intensified competition for acquiring the share in global trade.

Our company faces stiff competition for its products across the world. Our company exports mainly to Europe. The critical factor in textile industry other than production of quality goods and cost competitiveness is the delivery of goods at a shorter time due to seasonality of products, therefore the countries like Mexico and Turkey having proximity to North America and Europe respectively scored over us in this respect. On the basis cost competitiveness, we face competition not only from Indian manufacturers but also from manufacturers of other Asian countries such as China, Bangladesh etc.

Over the period we have built up excellent relationship with renowned customers. Our strengths in producing fabric and garments with good understanding of current fashion trends, anticipating future changes in fashion trends, creation of innovative designs, styles & patterns appealing to mind of end users and track record of timely execution of orders have given us competitive advantage in global as well as in domestic market.



SECTION VI: LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our company, our directors, our promoters and our Promoter Group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks / financial institutions, arrears on cumulative preference shares issued by our company, defaults in creation of full security as per terms of issue /other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our company, our Subsidiary, our Directors and our Promoters, except the following:

A. Outstanding Litigations and Contingent Liabilities of the company

1. Contingent liabilities of our company as on 31st December 2006 (Statutory Report by Auditor)

The contingent liabilities of our company as on December 31st, 2006 is in terms of counter guarantee given to banks, letter of credit opened with banks and foreign bills discounted with banks pending realization amounting to Rs. 1364.62 lakhs.

The Company has taken Export Turnover Policy with ECGC and any of these liabilities materialize it will be compensated by ECGC. Similarly, the bank has also taken ECGC cover for the Company as whole.

B. Cases filed against our company

There are no litigation pending against our company.

C. Cases filed by us

There are no cases filed by the company against others

D. Outstanding Litigations of the Promoter

1. M/s. Vijaya Bank Vs. Mr. P. Parthasarathi

Vijaya Bank, a body corporate constituted under Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980 has filed a case before the Debt Recovery Tribunal for a claim of Rs 233.89 Lakhs on M/S Sree Sankuchakkara Mills Limited as a First defendant and Mr.P.Parthasarathi as Director of the said company and as a Director in the Individual capacity.

A Personal guarantee has been executed by Mr.P.Parthasarathi to Vijaya Bank in his Personal Capacity and the Company is not in any way directly or indirectly connected with the same.

E. Litigations involving our group companies

There are no cases filed by or against any of our group companies till date.

F. Litigation involving our Promoters and Directors

There are no cases filed by or against any of our Promoter or Director till date other than those stated above in Outstanding Litigations of the Promoter. The Promoters and directors have not defaulted in any loan payments.

MATERIAL DEVELOPMENTS

The Board of Directors of the company are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

1. Our company has altered the Authorised share capital from Rs. 15,00,00,000 divided into 1,50,00,000 Equity Shares of Rs. 10/- each to Rs. 17,00,00,000 divided into 1,70,00,000 equity shares of Rs. 10/- each ranking pari passu with the existing shares in the company by converting 2,00,000 13% Cumulative Redeemable Preference Shares of Rs. 10/- each into equity shares vide a special resolution passed by the members at the Extra-ordinary General meeting held on February 23, 2006.

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GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business except as mentioned below.

The Company has received the following Government approvals / licenses / permissions:

1. Certificate of Incorporation bearing no. 181-7438 dated December 31, 1999 from the Registrar of Companies, Tamil Nadu.
2. Certificate wherein the word "Private" in the name of the company was deleted w.e.f. December 31, 1999 on conversion from private limited company to public limited company

Statutory approvals:

UNIT I Garmenting at SF No. 137, Kancheevaram Nallur Village, Tirupur

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 8782 renewed until December 31, 2007 for a maximum of 50 employees and horsepower of 129 HP.
2. License from the Tamilnadu Pollution Control Board – Consent order No.1836 under Air and Water (Prevention and Control of Pollution Act) to continue to make existing discharge of emissions in the name of Reliance Textile Processing for a period upto 31. 03. 1991. Reliance Textiles Processing was a partnership concern which was taken over as a going concern by Tubeknit Fashions Limited in the year 2000.

UNIT II Garmenting at No. 196, Trichy Road, Palladam

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 8806 renewed until December 31, 2007 for a maximum of 50 employees and horsepower of 129 HP.
2. License from the Tamilnadu Pollution Control Board (Renewal of Consent Order Number 24 bearing proceeding number DEE/TPR/F.G.S.1680/A - dated November 4, 2004 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising continuance of the existing discharge of emissions from the stacks and valid upto December 31, 2005.
3. License from the Tamilnadu Pollution Control Board (Renewal of Consent Order Number 24 bearing proceeding number DEE/TPR/F.G.S. 1680/W – dated November 4, 2004 under section 25 of the Water (Prevention and Control of Pollution) Act, 1981 authorising continuance of the existing discharge of sewage and valid until December 31, 2005.

UNIT III Garmenting at SF No. 137, Kancheevaram Nallur, Tirupur

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 11888 renewed until December 31, 2009 for a maximum of 250 employees and horsepower of 129 HP.

UNIT IV Garmenting at SF No. 137, Kancheevaram Nallur, Tirupur

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 12059 renewed until December 31, 2009 for a maximum of 250 employees and horsepower of 50 HP.

Knitting Unit at Shed No. 66 & 94, SIDCO INDUSTRIAL ESTATE

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 8807 renewed until December 31, 2008 for a maximum of 50 employees and horsepower of 129 HP.

Dyeing Unit at SF No. 137, Kancheevaram Nallur Village, Tirupur

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 8805 renewed until December 31, 2008 for a maximum of 50 employees and horsepower of 129 HP.
2. License to import and store petroleum vide License No. P/SC/TN/15/735 is valid upto 31st December 2007.
3. Sanction from the Tamilnadu Electricity Board to avail H.T. supply for a demand of 500 KVA, dated July 9, 2001.
4. Sanction from the Tamilnadu Electricity Board to avail H.T. supply for an additional demand of 200 KVA, dated August 27, 2002.



- Sanction from the Tamilnadu Electricity Board to avail H.T. supply for an additional demand of 100 KVA, dated July 18, 2005.

Embroidery and Sample Unit at SF No. 137, Kancheevaram Nallur Village, Tirupur

- License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 7364 renewed until December 31, 2008 for a maximum of 50 employees and horsepower of 129 HP.

Other Statutory Licenses

- The Tax Deduction at Source number, Permanent Account number, the Tamilnadu General Sales Tax registration numbers, the Central Sales tax registration number and the Central Excise registration number for the Company are as follows:

Name	TAN	PAN	TNGST No.	CST No.	Central Excise No.
Tube knit Fashions Limited	CMBTO3785F	AABCT1278P	2383720	659344/05.02.97	AABCT1278PXM003

- Certificate of Importer Exporter Code (IEC) number 0488035406 issued on September 28, 1988 by the office of the Joint Director General of Foreign Trade.
- Approval from the Office of the Regional Provident Fund Commissioner for applicability of Employees Provident Fund and Miscellaneous Provisions Act, 1952 vide registration No. TN/25193
- Approval from Employees' State Insurance Corporation for implementation of Employees' State Insurance Act, 1948 vide registration no. 56-60101-18.

Memberships:

- Registration-cum-membership certificate issued by the Apparel Export Promotion Council bearing registration number 100026 registered on August 23, 2002 and valid for a period from March 31, 2004 until March 31, 2009.
- Registration certificate issued by the Textiles Committee, Government of India, Ministry of Textiles, bearing registration number TIP-02948 registered on April 4, 2005 and valid up to March 31, 2006.

TUBEKNIT FASHIONS LIMITED

OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THIS ISSUE

The Board of Directors have, pursuant to a resolution passed at its meeting held on January 13, 2006, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act. Our shareholders have authorised the Issue vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extra-ordinary General Meeting held on February 23, 2006.

PROHIBITION BY SEBI

Our Company, our directors, our Promoters, the directors and persons in control of our Promoters, our subsidiary, other companies promoted by our Promoters and companies with which our Company's directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

ELIGIBILITY FOR THIS ISSUE

The Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 300 lakhs in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- The Company has a net worth of at least Rs. 100 Lakhs in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The Company has not changed its name within the last one year

The proposed Issue size does not exceed five times the pre-Issue net worth of the Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines. The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets as certified by M/s D.G. Shah & Co., Chartered Accountants and, vide their certificate dated 04.05.2006 and included in the Section titled "Report of our Statutory Auditor" on page 87 of this Red Herring Prospectus for the last five years ended March 31, 2005 are set forth below:

(Rupees in Lakhs)

Year ended March 31	2005	2004	2003	2002	2001
Net Tangible Assets	5852.48	5665.44	5472.23	4865.56	3786.10
Monetary Assets	292.94	325.38	309.21	136.45	30.45
Net profits	149.31	121.95	87.37	142.41	33.72
Net worth	2395.77	2311.34	2264.34	2306.91	1253.45

Net Tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

Monetary assets include cash on hand and bank. Detailed figures are given on page 80 of this Red Herring Prospectus.

The Promoters, the Company, its subsidiary, directors of the company and associate companies are not detained as willful defaulters by the RBI / Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this Red Herring Prospectus.

No penalty has been imposed by SEBI and other regulatory bodies against us, our directors, our Promoters, directors of our Promoters and companies promoted by our Promoters.

Therefore, we are eligible to make this Issue.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE



DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SYSTEMATIX CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGER, SYSTEMATIX CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 18.05.2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;
- B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
- D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.
- E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”

All legal requirements pertaining to this issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Coimbatore, Tamil Nadu, in terms of Section 56, Section 60 and Section 60B of the Companies Act.

The filing of the Red Herring Prospectus does not, however, absolve the company from any liabilities under Section 63 and Section 68 of the act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed offer. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Manager, any irregularities or lapses in the Red Herring Prospectus.

Disclaimer of our Company and the BRLM

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information would be doing so at his or her own risk.

Our Company is obliged to update this Prospectus and keep the public informed of any material changes till the listing and trading of Equity Shares offered in this issue are commenced.

We shall not be liable to the bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

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Caution

The BRLM accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and the Company and the Memorandum of Understanding between the BRLM and the Company.

Our Company and the BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, cooperative 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 and Foreign Venture Capital Funds Registered with SEBI. This 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 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 Chennai only.

No action has been or will be taken to permit a public Issuing in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus was filed with Registrar of Companies, Tamil Nadu as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be Issued 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 the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of Bombay Stock Exchange Limited

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter ref: DCS-SD-SM-2006 dated September 26, 2006 permission to this Company to use Exchange's name in this offer document as one of the stock exchanges on which the Company's securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer document; or
2. Warrant that this company's securities will be listed or will continue to be listed on the Exchange; or
3. Take any responsibility for the financial or other soundness of this company, its Promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which 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 National Stock Exchange of India Limited

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/30297-J dated September 28, 2006 permission to the Issuer to use the Exchange's name in this Prospectus as one of the stock exchanges on which the Issuer's securities are proposed to be listed. The Exchange has scrutinized 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 the Issuer's securities will be listed or will continue to be listed on 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 NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the Registrar of Companies, Tamil Nadu at Coimbatore. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, Tamil Nadu, at Coimbatore. A copy of the Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Plot No. C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

Listing

Applications have been made to Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares, Bombay Stock Exchange Limited shall be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for this Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to this Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu located at Coimbatore, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Coimbatore.

M/s. D. G. Shah & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Coimbatore.

M/s. D. G. Shah & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Coimbatore.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinion.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be met out of the proceeds of the Issue. The estimated Issue Expenses are as follows:

ACTIVITY	EXPENSE (RS. IN LAKHS)	% OF TOTAL ISSUE EXPENSES	% OF TOTAL ISSUE SIZE
Lead management, underwriting and selling commission	[.]	[.]	[.]
Advertisement and marketing expenses	[.]	[.]	[.]
Printing, stationery including transportation of the same	[.]	[.]	[.]
Others (Registrar's fees, Legal fee, listing fee etc.)	[.]	[.]	[.]
Total estimated Issue expenses	[.]	[.]	[.]

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Fees Payable to the Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be as per the letter of appointment dated 24.02.2006 with Systematix Corporate Services Limited, and mandate letter dated Feb 1, 2007 with Religare Securities Limited issued by our Company, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the Agreement dated 10.05.2006 a copy of which is available for inspection at our registered office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Fees Payable to the Escrow Bankers

No fees is payable to the Escrow Bankers

Commission and Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Previous Rights and Public Issues

We have not made any other previous rights or public issues during the last five years.

Outstanding Debenture or Bond Issues

As on the date of filing of this Prospectus, the Company does not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As on the date of filing of this Prospectus, the Company does not have any outstanding preference shares.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash except mention in the section Capital Structure on page 12 of this Prospectus.

Companies Under the same Management

There are no companies under the management within the meaning of section 370(1B) of the Companies Act, 1956, other than our Group Companies on page 101 of this Prospectus.

Option to Subscribe

Equity shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Particulars Regarding Public Issues during the Last Five Years

We have not made any public issues during the last five years.

Performance Vs projections for listed ventures of the Promoters

There is no other listed company promoted by our Promoters

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.



We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. Murugan, as the Compliance Officer and he may be contacted at Tubeknit Fashions Limited, S.F. No. 137, Kancheevaram Nallur, Tirupur. Tel 91-421 2424173; Fax: 91-421 2423173, Email: investor@tubeknitfashions.com. Investors can contact him for redressal of any complaints.

Changes in Auditors during the last three financial years and reasons thereof

There have been no changes of the Auditors of our Company for the last three years.

Capitalisation of Reserves or Profits

We have not capitalised its reserves or profits at any time since inception.

Revaluation of assets

We have not revalued our assets in the past five years.

SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THIS ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of our Company, the terms of this Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

Ranking of Equity Shares

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

Mode of payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Prospectus at a Price of Rs. [.] per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

Compliance with SEBI Guidelines

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

Rights of the Equity Shareholder

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

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

For further details on the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “Main Provisions of Articles of Association of the Company” on page 133 of this Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form.

In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one equity share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful bidders subject to a minimum Allotment of 50 Equity Shares. For details of allocation and allotment, see “Other Regulatory and Statutory Disclosures” on page 106 of this Red Herring Prospectus.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Chennai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

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, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change 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 Issue amount including devolvement of the Syndicate Member, if any, within 60 days from the Bid/Issue 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 as per Section 73 of the Companies Act.

Subscription by Non Residents/ NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI.

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security to a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs/ FIIs/ Foreign Venture Capital Fund 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.

ISSUE PROCEDURE**Book Building Procedure**

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. Our Company, in consultation with the BRLM, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the Registrar of Companies, Tamil Nadu, 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 the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the Registrar of Companies, Tamil Nadu and as would be required by Registrar of Companies, Tamil Nadu after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue
Permanent Employees of the Company	Pink

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approval to the Issue.
8. FIIs registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue.

9. State Industrial Development Corporation
10. Insurance Companies registered with the Insurance Regulatory and Development Authority
11. Provident funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to hold and invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to hold and invest in Equity Shares;
13. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
14. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws;
15. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals to the Issue.
17. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares
18. Permanent employees of the company as on March 31, 2006.

Note: Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Bid by Mutual Fund

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 90 000 Equity Shares, full Allocation shall be made to Mutual Funds, to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

Multiple Bids

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in 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 sector or industry specific funds. No mutual fund under its scheme 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.

5% of the QIB portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 1 62 75 000 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 the total issued capital of the Company. As of now, the aggregate FII holding in the 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:

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

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% 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 are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs. 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of

Such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 50 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Net Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB margin upon submission of the Bid cum Application Form.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

(c) For Bidders in the Employee Reservation Portion: The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 1 Lakhs. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cutoff".

Information for the Bidders

- (a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Coimbatore Tamil Nadu.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM/Syndicate Member.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach BRLM or any of the members of the Syndicate or any of their authorized agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process for Bidding

- a) Our Company, the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Coimbatore, Tamil Nadu and also publish the same in one English national daily, one Hindi national daily and one Tamil daily newspaper. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of SEBI Guidelines. The BRLM and Syndicate Member shall accept Bids from the Bidders during the Issue Period.
- b) The Bidding Period shall be a minimum of three working days and not shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a Tamil newspaper also by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

- c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” given below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- d) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 119 of this Prospectus.
- e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every member of the Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment” on page 29 of this Prospectus.
- g) The BRLM and members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

- (a) The Price Band was fixed at Rs.100 to Rs. 120 per Equity Share of Rs. 10 each, Rs. 100 being the Floor Price and Rs. 120 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Company in consultation with BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) 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 Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at “Cut-off” Price. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (c) Retail Bidders or Employees who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Bidders or Employees bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the Allocation Amount payable by the Retail Bidders or Employees, who Bid at Cut off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Bidders or Employees, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.
- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 50 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.100,000, the Bid will be considered for allocation under the Non Institutional category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional

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payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be Required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.

- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees who have bid at Cut off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account

Escrow Mechanism

Escrow Account

We and the BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue, BRLM to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the members of the Syndicate to whom the Bid is being submitted. In case of the QIB Portion, the Margin Amount has to be submitted along with the Bid to the Syndicate. Bid-cum-Application Forms accompanied by cash and stock invests 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 until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. 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" on page no. 28 of this Prospectus and shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favoring 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.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE . There will be at least one on-line connectivity to each city where 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 Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the offline data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at www.bseindia.com or on NSE's website at www.nseindia.com.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
- Name of the investor
 - Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client identification No. of the 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 request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) Consequently, the members of the Syndicate may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on Page 126 in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, BRLM are cleared or approved by BSE and NSE ; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (h) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE .

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bidcum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of

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the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **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 BSE or NSE and the Syndicate Member, the decision of the BRLM based on 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 will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) The Company, BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based *inter-alia* on the quality of the Bidder determined broadly by the size, price and time of the Bid.
- (c) The allocation for QIBs for up to 50% of Net Issue would be on proportionate basis (with minimum 5% allocation of QIB portion reserved for Mutual funds, and such mutual funds can participate in the remaining allocation to QIBs) in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price, in the manner described in the section titled "Basis of Allotment-Allotment to QIB Bidders" given on page no. 150 of this Red Herring Prospectus. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company, BRLM. However, if the aggregate demand by Mutual Funds is less than 101875 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange.
- (e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.
- (f) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid 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 but before allotment.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.

Signing of Underwriting Agreement and Registrar of Companies, Tamil Nadu Filing

- (a) The Company, the BRLM and the Syndicate Member 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 would update and file the updated Red Herring Prospectus with Registrar of Companies, Tamil Nadu, Coimbatore 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 Price band and Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Price band along with a table showing the number of Equity Shares and the amount payable by an investor.

Any material updates between the date of Red Herring Prospectus and the Prospectus shall be included in the advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken

- (a) The BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or Syndicate Member would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. Equity Shares will be issued only in the 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 allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate
- e) Ensure that you have been given a TRS for all your Bid options
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- g) Ensure that the bid is within price band
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum-Application Form
- i) 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. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN Number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof. For details refer to section "Issue Procedure-PAN" on page 126 of this Red Herring Prospectus.

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Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid / revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate.
- d) Do not pay the Bid amount in cash
- e) Do not provide your GIR number instead of your PAN
- f) Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only
- g) Do not bid at cut off price (for QIBs and non-institutional bidders)
- h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- i) Do not submit Bid accompanied with Stock Invest

Bids by Permanent Employees of the Company

- i. For the purpose of this reservation, Permanent Employee means permanent employees of our Company as on March 31, 2006
- ii. Bids under Employee Reservation Portion by Permanent Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour form)
- iii. Permanent Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form.
- iv. Employee Number
- v. The sole / first bidder should be Permanent Employees as defined above
- vi. Only Permanent Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- vii. Bids by Permanent Employees, as defined above, will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- viii. Permanent employees, as defined above, 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 other Permanent Employees whose minimum Bid amount exceeds Rs. 100,000.
- ix. The maximum bid in this category can be for 50 Equity Shares.
- x. If the aggregate demand in this category is less than or equal to 2,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.
- xi. Under subscription in this category would be added back to the Net Issue.
- xii. If the aggregate demand in this category is greater than 2,00,000 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" on page 128 of this Prospectus.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or member of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis and Pink for Employees)
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bidcum-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 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid amount of Rs. 100,000/-.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 100,001 and in multiples of 50 Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Net Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank 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 DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN, WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("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 and ensure that they are true and correct.

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 address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form.

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Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FII's, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Office, SF No. 137, Kancheevaram Nallur Village, Tirupur or the Registrars to the Issue.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FII's on a repatriation basis

Bids and revision to Bids must be made:

On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in **BLOCK LETTERS** in **ENGLISH** in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

By FII's for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter.

For further details refer section "Issue Procedure - Maximum and Minimum Bid Size" on page 116 of this Prospectus.

Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FII's or Foreign Venture Capital Fund registered with SEBI, for a minimum of such number of Equity Shares and in multiples of 50 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see "- Maximum and Minimum Bid Size".

Payment Instructions

We and the BRLM shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

- (a) The Bidders for whom the Margin Amount is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within

the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM.

- (c) The payment instruments for payment into the Escrow Account should be drawn in favour of:
- (i) In case of resident QIB Bidders: “Escrow Account – Tubeknit Fashions Limited Public Issue – QIB-R”
 - (ii) In case of non resident QIB Bidders: “Escrow Account-Tubeknit Fashions Limited Public Issue-QIB-NR”
 - (iii) In case of Resident Bidders: “Escrow Account – Tubeknit Fashions Limited Public Issue”
 - (iv) In case of Non Resident Bidders: “Escrow Account-Tubeknit Fashions Limited Public Issue-NR”
 - (v) In case of Permanent Employees of the Company “Escrow Account – Tubeknit Fashions 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 authorized 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.
 - 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.
- (d) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- (e) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (f) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the issue Account with the Bankers to the Issue.
- (g) On the Designated Date and not 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 cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the 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.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers’ clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ 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 42/24.47.00/2003-04 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.

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 Syndicate Member at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

However, for QIB Bidders the Syndicate Member shall collect the margin amount and deposit the same in the specified escrow account.

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No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form.

However, the collection center of the Syndicate Member 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 favor 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 will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bidders in the Employees Reservation category can also bid in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI 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.

Our Right to Reject Bids

In case of QIB Bidders, the Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non- Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:



- 1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- 4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
- 5) Bids for lower number of Equity Shares than specified for that category of investors;
- 6) Bids at a price less than lower end of the Price Band;
- 7) Bids at a price more than the higher end of the Price Band;
- 8) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 9) Bids for number of Equity Shares which are not in multiples of 50;
- 10) Category not ticked;
- 11) Multiple bids as defined in the Red Herring Prospectus;
- 12) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 13) Bids accompanied by Stock invest/ money order/postal order/cash;
- 14) Signature of sole and / or joint bidders missing;
- 15) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;
- 16) Bid-cum-Application Form does not have Bidder's depository account details;
- 17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 18) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;
- 19) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
- 20) Bids by OCBs; and
- 21) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
- 22) Bids by Employees of the Company not eligible to apply in the Employee Reservation Portion;
- 23) Bids by persons who are not eligible to acquire Equity shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.
- 24) Bids that are not accompanied by the applicable Margin Amount.

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 a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated _____ with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated _____ with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

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- c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form visà-vis those with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.
- j) Non-transferable allotment, advise or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

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, bank and branch where the Bid was submitted and cheque number and issuing bank thereof.

Dispatch of Refund Orders

We shall ensure dispatch of refund orders of value over Rs. 1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.

Refund orders shall be payable at par at all centers where bidding terminals was set-up to receive bids from bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

Basis of Allotment or Allocation

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue less allocation to Non-Institutional and QIB Bidders 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 14,26,250 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 14,26,250 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allotment, refer to page 129 of this Prospectus.

B. For Non-Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue less allocation to QIBs and Retail Portion 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 6 11 250 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 6 11 250 equity shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares. For the method of proportionate basis of allotment refer to page 129 of this Prospectus.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
 - (b) In the second instance allocation to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of the company and the BRLM.

D. For Employees:

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment 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 2 00 000 Equity Shares at or above the Issue Price, full allotment shall be made to the Employees to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,00,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.
- Only Employees may apply under the Employee Reservation Portion.

Method of Proportionate Basis of Allotment

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by our Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that

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basis of allotment is finalized in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under "Issue Structure".

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of 50 Equity Shares. The minimum allotment lot shall be the same as the Minimum Application lot irrespective of any revisions to the Price Band.
- d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.
- e) In all bids where the proportionate allotment is less than 50 per bidder, the allotment shall be made as follows:
 - Each successful bidder shall be allotted a minimum of 50 Equity Shares; and
 - The successful bidders out of the total bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
 - If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

Undertaking by the Company

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the issuer company shall apply in advance for the listing of equities on the conversion of debentures / bonds
- the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund
- 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
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refund order or allotment advice to NRIs or FIIs or multilateral or bilateral development financial institution, foreign venture capital investors registered with SEBI shall be dispatched within the specified time.

Utilization of Issue proceeds

The Board of Directors of our Company certify 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 this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and

- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- (d) The 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.

Procedure and Time Schedule for Allotment of Equity Shares

We, in consultation with the BRLM, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We shall ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

We shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

- We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and 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 allot Equity Shares only in dematerialized form within 15 days of the Bid/Issue Closing Date; dispatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- **Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders in Case of Public Issues** - 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 and refund orders are not dispatched or if, in a case where the Refund or Portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15-day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as 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 centers will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member 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.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Rectification of Register of Members

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

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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 there-under. 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.

For details, see "Issue Procedure" on page no.114 of this Prospectus. The above information is given for the benefit of the bidders and neither the Company nor BRLM are liable for any modifications that may happen after the date of this Prospectus.



SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

FORFEITURE, SURRENDER AND LIEN

If Call or Installment Not Paid Notice May Be Given

30. If any member fails to pay the whole or any part of any allotment money or call or installment or any money due in respect to any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the allotment money or call or installments or any part thereafter and other moneys remain unpaid or a judgment or decree in respect thereof, remains unsatisfied in whole or in part, serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such allotment call for installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expensed (legal or otherwise) that may have been incurred by the company by reason of such non payment.

Terms of notice

31. The notice shall name a day (not being less than 30 days from the date of the notice) on or before which and the place or places on or at which such allotment money or call installments or such part thereof and other moneys as aforesaid and such interest and expenses as aforesaid are to be paid, and if payable to any person other than the company, the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the company) at the place appointed, the shares in respect of which the allotment or call was made or installment is payable will be liable to be forfeited.

In default of Payment Shares to be forfeited

32. If the requirement of any such notice as aforesaid shall not be complied with any of the shares in respect of which such notice has been given may at any time thereafter but before payment of all allotment money calls or installments, interests and expenses and other moneys due in respect thereof be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Entry of Forfeiture in Register of Members

33. When any share shall have been so forfeited, an entry of the forfeiture with the date thereof, shall be made in the Register of Members in whose name it stood immediately prior to be forfeiture but no forfeiture shall be, in any manner, invalidated by any omission or neglect to give such notice or to make any entry as aforesaid Forfeited shares to be property of the Company and may be sold etc.
34. Any share so forfeited shall be deemed to be the property of the company and may be sold, re-allotted or otherwise disposed of either to the original holder thereof, or to any other person upon such terms and in such manner as the Board shall think fit.

Directors may annul forfeiture

35. The Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions, as they think fit.

Shareholder still liable to pay money owing at the time of forfeiture and

Interest

36. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the company all allotment money or call, installments, interest, expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from time of the forfeiture until payment at such rate as the Directors may determine and the Directors may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture but shall not be under any obligation to do so.

Effect of forfeiture

37. The forfeiture of share shall involve extinction at the time of forfeiture, of all interest in all claims and demands against the company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these presents are expressly saved.

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Surrender of shares

38. The Directors may subject to the provisions of the Act, accept a surrender of any share from or by any member desirous of surrendering the share on such terms as they think fit.

Company's lien on Shares

39. The company shall have no lien on its fully paid shares. In the case of partly paid up shares the company shall have a first and paramount lien on such shares registered in the name of each member, whether solely or jointly with other and upon the proceeds sale thereof for all moneys called or payable at a fixed time in respect of such shares and whether held solely or jointly with any other person and whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not and no equitable interest in any share shall be created except upon the footing and condition that Article 14 is to have full effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the company's lien, if any, on such shares.

As to enforcement of lien by sale

40. For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell such shares shall have been served on such member or the person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfillment or discharge of such debts, liabilities or engagements for 7 days after such notice.

Application of proceeds of sale

41. The net proceeds of any such sale payment of the costs of such sale shall be applied in or towards the satisfaction of such debts, liabilities or engagements of such member and 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 such member or the person (if any) entitled by Transmission to the share sold.

Certificate of forfeiture

42. A certificate in writing under the hand of two Directors that the call in respect of a share was made and notice thereof given and default in payment of the call was made and that the forfeiture of the share was made by a resolution of the Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share.

Title of purchaser and allottee of forfeited share or shares sold to exercise lien

43. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove given the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register of members in respect of shares sold and the company may receive the consideration, if any, give for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share and he shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings with reference to the forfeiture, sale, re-allotment or other disposal of the share and after his name has been entered in the Register in respect of such share, the validity of the sale shall not be impeached by any person.

Cancellation of share certificate in respect of forfeited share and shares sold to exercise lien

44. Upon any sale, re-allotment or other disposal under the provisions of the preceding Article, the certificate or certificates originally issued in respect of the relevant shares shall (unless the same shall on demand by the company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

TRANSFER AND TRANSMISSION OF SHARES

Register of transfers

45. The company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars or every transfer or transmission of any share.

Register of renewed and duplicate Certificates

46. The Company shall keep a book to be called the "Register of Renewed and Duplicate Certificates" and therein shall be fairly entered the particulars of the issue of renewed and duplicate certificates in exchange for those which are subdivided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out or rendered useless.

Form of transfer

47. The instrument of transfer of any share shall be in writing and all provisions of Section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and the registration thereof

Application for transfer

48. (1) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.
- (2) Where the application is made by the transferor and related to partly paid shares the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of notice.
- (3) For the purpose of Clause (2) above the notice to the transferee shall be deemed to have been duly given if it is dispatched by pre-paid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.
- (4) "DEMATERIALISATION OF SECURITIES"

Definition for the purpose of this Article:

- (i) "Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force and it includes where appropriate, the Rules made there under.
- (ii) 'SEBI' means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

Words expressions used and not defined in this Article shall have the meaning assigned to them in the Depositories Act. The provisions contained in this Article shall prevail notwithstanding anything to the contrary in any other Article.

- (iii) "Dematerialisation / Rematerialisation of Securities.

The Company shall be entitled to dematerialise its securities and offer fresh securities in physical or dematerialised form in terms of and in conformity with the Depositories Act and extant Regulations in force and confirming to the Bye laws of the Depositories.

- (iv) Provisions of Articles to apply to securities held in depository

Except specifically provided in these Articles, the provisions relating to Joint-holders of shares, calls, lien on shares forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in depository.

- (v) Transfer of securities

Transfer of securities held in Depository shall be governed by the Depositories Act and extant Regulations in force.

- (vi) Board to Decide on Depository

The Board in its discretion shall decide the effective date from which depository option will be made available to the members.

Transfer to be executed by the transferor and transferee

49. Every such instrument of transfer shall be signed by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof

Transfer not to be registered except on production of instrument of transfer

50. The company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and by or on behalf of the transferor, and specifying the name, address

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and occupation, if any, of the transferee, has been delivered to the Company within the prescribed period along with the certificate relation to the shares or if no such share certificate is in existence, along with the letter of allotment of the shares. Provided that whereon an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction to the Board of Directors that the instrument of transfer signed or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board thinks fit. Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

Notice to transfer to registered holder

- 50 (A) Before registering any transfer tendered for registration, the Company may, if it so thinks fit, give notice by letter in the ordinary course to the registered holder that such transfer deed has been lodged and that unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the Company within four weeks from the posting of such notice to him, he shall be deemed to have admitted the validity of the said transfer.

Directors may refuse to register transfer

- 51 The Board may, subject to the right of appeal conferred by Section 111 of the Companies Act, 1956, decline to register:
- a) the transfer of share not being a fully paid share, to a person of whom they do not approve; or
 - b) any transfer of share on which the Company has a lien, provided that the registration of transfer shall not be refused on the ground of transferor being either alone or jointly with any person or person indebted to the Company any account except a lien.

The Company shall comply with provisions of Section 22 A of Securities Contracts(Regulations) Act, 1956, as regard to free transferability and registration of transfer of shares and debentures.

Notice of refusal to be given to transferor and transferee

52. If the company refuse to register the transfer of any shares or transmission of any right therein the company shall within two months from the date on which the instrument of transfer or intimation of transmission was lodged with the company, send notice of refusal to the transferee & transferor or the person giving intimation of the transmission, as the case may be, and thereupon the provisions of Section 111 of the Act or any statutory modification thereof for the time being in force shall apply.

Transfer by legal representative

53. A transfer of a share in the company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

Custody of instrument of transfer

54. The instrument of transfer shall after registration be retained by the company and shall remain in its custody. All instruments of transfer which the Directors may decline to register shall on demand be returned to person depositing the same. The directors may cause to be destroyed all transfer deeds lying with the company for a period of ten years or more.

Closure of transfer books

55. The directors shall have power, on giving not less than seven days previous notice by advertisement as required by Section 454 of the Act to close the transfer books of the company, the Register of Members or the Register of Debenture-holders at such time or times and for such period or periods of time not exceeding in the whole 45 days in each year but not exceeding 30 days at a time as may seem expedient to the Board.

Title of share of deceased holder

56. The executors or administrators or the holder of a Succession Certificate in respect of the estate of a deceased member (not being one of two or more joint holders) shall be the only person recognized by the company as having an title to the shares registered in the name of such member and the company shall not be bound to recognize such executors or administrators unless such executors or administrators shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be, from a Competent Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of Probate or Letters of Administration or Succession Certificate and under the provision of Article 57, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member

Transmission clause

57. Subject to the provisions contained in Article 51 & 52 hereof, any person, becoming entitled to a share in consequence of the death, lunacy or insolvency of any member, upon producing proper evidence of the grant of Probate or letters of Administration or Succession Certificate or such other evidence that he sustains the character in respect of which he proposes to act under this clause or of his title to the shares as the Board thinks sufficient, may, with the consent of the Board (which shall not be under any obligation to give), be registered as member in respect of such shares, or may subject to the regulations as to transfer herein before contained, transfer such shares. The clause is herein referred to as the transmission clause.

Power to refuse registration

58. Subject to the provisions of the Act and these Articles, the Directors shall have the same rights to refuse to register as member a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Persons entitled may receive dividend without being registered as a member

59. A person entitled to a share by transmission shall, subject to the rights of the Directors to retain such Dividends or money as hereinafter provided, be entitled to receive, and may give a discharge for any dividends or other moneys payable in respect of the share.

Board may require evidence of transmission

60. Every transmission of a share shall be verified in such manner as the directors may require and the company may refuse to register any such transmission until the same to 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 may not be any obligation on the company or the Directors to accept any indemnity.

Fee on transfer or transmission

61. The company shall not charge any fee on registration of transfer or transmission.

Company not liable for disregard of a notice prohibiting registration of transfer.

62. The company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer or 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 ,or interest title to or in the said shares notwithstanding that the company may have had notice of each equitable right ,title or interest or may have received a notice prohibiting registration of such transfer any may have entered such notice or referred such notice thereto in any book of the company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right ,title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the Company. The Company shall nevertheless be at liberty to regard and attend to any such notice and give effect there to, if the Directors shall so think fit.

CONVERSION OF SHARES INTO STOCK

Conversion of shares into stock and reconversion

63. The company by ordinary resolution in General Meeting may
- (i) convert any paid-up shares into stock; and
 - (ii) convert any stock into paid up shares of any denomination

Transfer of stock

64. The holders of stock may transfer the same or any part thereof in the same manner as and subject to the same regulations under which the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit; provided that the Board may from time to time fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of share from which the stock arose.

Rights of stock holders

65. The holders of stock shall according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, participation in profits, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose but no such privilege or advantage (except as to dividends, participation in the profits

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of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

Regulations to apply to stocks

66. Such of the regulations of the Company (other than those relating to share warrants) as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include 'stock' and "stock holders" respectively.

Share warrants

- 66A. Subject to the provisions of Section 114 & 115 of the Act and subject to any directions which may be given by the company in General meeting, the Board may issue share warrants in such manner and on such terms and conditions as Board may deem fit. In case of such issue Regulation 40 to 43 of Table 'A' Schedule 1 of the Act, shall apply.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Increase of Capital

67. The company may from time to time by special resolution in General Meeting increase its share capital by the creation and issue of new shares of such amount as it thinks expedient. Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting creating the same shall be directed and if no direction be given, as they shall determine. Such shares may be issued with a preferential or qualified right as dividends, and in the distribution of assets of the Company, and with a right of voting at a General Meeting of the Company in conformity with Sections 87 & 88 of the Act. Whenever the capital of the company has been increased under the provisions of this Article, the directors shall comply with provisions of Section 97 of the Act.

Right of Equity shareholders to further issue of capital

68. (1) If the Company proposes to issue new shares at any time after the expiry of two years from the date of formation of the company or any time after the expiry of one year from the date of allotment of shares in the Company, made for the first time (whichever is earlier), it is proposed to increase the subscribed capital of the Company, by allotment of further shares, then such further shares shall be offered to the persons who, at the date of the offer are holders of the equity shares of the company, in proportion as nearly as circumstances admit, to the capital paid up on those shares at that date and such offer shall be made in accordance with the provisions of Section 81 of the Act. Provided that notwithstanding hereinbefore contained the further shares aforesaid may be offered to any persons, whether or not those persons include the persons who, at the date of the offer, are holders of the equity shares of the company in any manner whatsoever :-
- (a) If a Special Resolution to that effect is passed by the Company in General Meeting; or
 - (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on poll, as the case may be) in favour of the proposal contained in the Resolution moved in General Meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to vote, in person, or where proxies are allowed, by proxy exceed the votes if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in that behalf, that the proposal is most beneficial to the Company.
- (2) Nothing in this Articles shall apply to the increase of the subscribed capital caused by the exercise of an option attached to debentures issued or loans raised to convert such debentures or loans into shares in the company or to subscribe for shares in the company (whether such option is conferred in Article 63 or otherwise) provided that the terms of the issue of such debentures or of such loans include a term providing for such option and such terms have been approved by a Special Resolution passed by the Company in General Meeting before the issue of the debentures or the raising of the loan and also the same has either been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by the Government in this behalf.

Increased Capital to be considered same as original Capital.

69. (1) Except so far as otherwise provided by the conditions of issue of shares or by these presents, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Redeemable Preference Shares

- (2) Subject to the provisions of Section 80 of the Act the Company shall have the power to issue Preference Shares which are, or, at the option of the company, are liable to be redeemed, and the redemption may, subject to the provisions of Article 5 hereof be effected in the manner and subject to the terms and provisions of its issue.

Provisions to apply on issue of Redeemable Preference

- (3) On the issue of Redeemable Preference under the provisions of Clause (2) hereof, the following provisions shall take effect:
- (a) No such shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption
 - (b) No such shares shall be redeemed unless they are fully paid;
 - (c) The premium, if any, payable on redemption must have been provided for out of the profits of the company or the company's shares Premium Account before the shares are redeemed;
 - (d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of the profits which would otherwise have been available for dividend, be transferred to reserve fund, to be called the "Capital Redemption Reserve Account", a sum equal to the nominal amount of the shares to be redeemed and the provisions of Act relating to the reduction of the share capital of the company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were part of the paid up share capital of the company.

Restriction on Purchase by the Company of its own shares.

70. (1) The company shall not have the power to buy its own shares unless the consequent reduction of Capital is effected and sanctioned in pursuance of Article 71 or in pursuance of Section 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.
- (2) Except to the extent permitted by Section 77 or applicable provisions (if any) of the Act, the company shall not give whether directly or indirectly and whether by means of a loan, guarantee of security or otherwise any financial assistance for the purpose of or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company.

Reduction of Capital

71. The company may, subject to the provisions of Section 78,80,100 to105 inclusive of the Act, from time to time by special resolution reduce its share capital and any Capital Redemption Reserve Account or other Premium Account in any way authorized by law and in particular may pay off any paid up share capital upon the footing that it may be called upon again or otherwise may, if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

Consolidation division and sub-division.

72. The company may in General Meeting alter the conditions of its Memorandum as follows:-
- (a) Consolidate and divide all or any of the share capital into shares of larger amount than its existing shares
 - (b) Sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum so however, that in the sub division, the proportion between the amount paid and the amounts, if any, unpaid on each reduced shares shall be the same as it was in the case of the share from which the reduced share is derived;
 - (c) Cancel shares which at the date of such General Meeting 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.

Issue of further pari passu shares not to affect the rights of shares already issued.

73. 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.

MODIFICATION OF RIGHTS

Modification of Rights of any class of shares

- 73A If at any time the share capital is divided into different classes the rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the

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Act, be modified, commuted, affected, abrogated or varied (whether or not the company is being wound up) with the consent in writing of the holders of not less than three fourth of the issue shares of that class or with the sanction of special resolution passed at a separate meeting of the holders of the class of shares and all the provisions hereinafter contained as to General Meeting shall mutates mutandis apply to every such Meeting.

JOINT HOLDERS

Joint-holders

74. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles:-

(a) The Company shall not be bound to register more than three persons as the joint holders as of any share.

Joint and several liability for all payments in respect of shares

(b) The joint holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments, which ought to be made in respect of such share.

Title of survivor

(c) On the death of any such joint-holder, the survivor or survivors shall be the only person or persons recognized by the Company as having any title to the share but the Directors may require such evidence of death as they deem fit and nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability in respect of the shares held by him jointly with any other person.

Receipt of first sufficient

(d) Only the person whose name stands first in the Register of Members may give effectual receipts for any dividends or other money payable in respect of such shares.

Delivery of certificate and giving notices to first named holders.

(e) Only the person whose name stands first in the Register of Members as one of the joint-holders of any share shall be entitled to delivery of the certificates relating to such share or to receive documents (which expression shall be deemed to include all documents referred to in Article 211) from the company, and any documents served on or sent to such person shall be deemed service on all the joint holders.

Votes of Joint Holders

(f) Any one of two or more joint-holders may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy then one of such person so present whose name stands first or higher (as the case may be) on the Register in respect of such share alone be entitled to vote in respect thereof but the other or others of the joint-holders shall be entitled to be present at the meeting. Provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by proxy although the name of such joint-holder present by proxy stands first or higher in the Register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member's) sole name any share stands shall for the purposes of this sub-clause be deemed joint-holders.

BORROWING POWERS

Powers to Borrow

75. Subject to the provisions of Section 292 and 293 of the act and these Articles and without prejudice to the other powers conferred by these Articles the Directors shall have the powers, from time to time at their discretion by a resolution passed at a meeting of the Board, not by the Circular Resolution, to accept deposits from members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sum or sums of moneys for the purpose of the company provided that the total amount borrowed at any time 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 shall not without the consent of the company in General Meeting, 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. Such consent shall be obtained by an ordinary resolution, which shall provide for the total amount upto which moneys may be borrowed by the Board. The expression "Temporary Loans" in this Article means loans repayable on demand or within six months from the date of the loan such as short term such credit arrangement, discounting of bills and the issue of other short term loans of seasonal character but does not include loans raised for the purpose of financing expenditure of a capital nature.

Conditions of which money may be borrowed

76. Subject to the provisions of the Act, and these Articles the Directors may, by resolution passed at the meeting of the Board and not by resolution, by circular, raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respect as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock or other securities issued or to be issued by the company shall be under the control of the directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Bonds debentures etc. to be subject to control of Directors

77. Any bonds, debentures, debenture-stock or other securities issued or to be issued by the company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.
- 77A Save as provided in Section 108 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped & executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of debentures, bonds. If the Board refuses to register the transfer notice of the refusal.

Securities may be assignable free from equities

- 78 Debentures, debenture-stock, bonds or other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.

Conditions on which Bonds, Debentures etc., may be issued.

- 79 Subject to the provisions of the Act and these Articles, any bonds, debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at general meetings, appointment of Directors and otherwise. Provided that debentures with the sanction of the Company in General Meeting.

Mortgage of uncalled capital

- 80 If any uncalled capital of the company is included in or charged by way of any mortgage or other security by the Directors, the Directors shall subject to the provisions of the Act and the Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.

Indemnity to be given

- 81 Subject to the provisions of the Act and these Articles, if the Directors or any of them or any other person shall incur or be about to incur any liability whether as principal or surety for the payment of any sum primarily due from the company, the Directors may execute or cause to be executed any mortgage, charge or security of, on over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or any other person so becoming liable as aforesaid from any loss in respect of such liability.

Register of mortgages etc. to be kept.

82. The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the company including all floating charges on the undertaking or any property of the company and shall cause the requirements of Section 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with (within the time prescribed by the said sections or such extensions thereof as may be permitted by the Court of the Register of Companies) so far as they are to be complied with by the company. The company shall, if at any time, it issues debentures, keep a register and index of Debentures holders in accordance with Section 152 of the Act.

General Meetings

Statutory Meeting

83. The statutory meeting of the company shall be held at such place and time (not less than one month nor more than six months from the date on which the company is entitled to commence business) as the Directors determine, and in connection therewith, the Directors shall comply with the provisions of Section 165 of the Act.

Annual General Meeting

84. 1) The company shall in addition to any other meetings hold a general meeting (herein called an "Annual General Meeting" at the intervals and in accordance with the provisions herein specified. The company shall hold its first

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Annual General Meeting within eighteen months from the date of the incorporation of the company and if such General Meeting is held within such period it shall not be necessary for the company to hold any Annual General Meeting in the year of its incorporation or in the following year, but subject to the aforesaid provisions as the Annual meeting shall be so held at least once in every calendar year and within six months after the expiry of each financial year, and that not more than fifteen months shall elapse between the date of one Annual General Meeting and the next. Provided however, that, if the Registrar of Companies shall have for any special reason extended the time within which any Annual General Meeting shall be held by a further period not exceeding three months, the Annual General Meeting may be held within the additional time allowed by the Registrar.

- 2) Every Annual General Meeting shall be called for at a time during business hours and on such day (not being a public holiday) as the Directors may from time to time determine and it shall be held either at the Registered office of the company or at some other place within the city, town or village in which the Registered Office of the company is situated. The company may, by a Resolution passed at One Annual General meeting fix the time for its subsequent Annual General Meeting. The notice calling the meeting shall specify it as the Annual General Meeting.

Extra Ordinary General Meeting

85. All general meetings other than annual general meetings shall be called extra ordinary general meetings.

Director's may call Extra ordinary General Meeting

86. The Board of Directors may call an extra-ordinary general meeting whenever they think fit.

Calling of Extra-ordinary General Meeting on requisition

- a.
 - 1) The Board of Directors shall, on requisition of such number of members of the company shall hold, in regard to any matter at the date of deposit of the requisition , not less than one tenth of such of the paid up capital of the company upon which all calls or other moneys then due shall have been paid as at that date carries the right of voting in regard to the matter, forthwith proceed duly to call an extra-ordinary General Meeting of the Company and the provisions of Section 169 of the Act (including the provision below) shall be applicable.
 - 2) The requisition shall set out the matter for the consideration of which the meeting is to be called, shall be signed by requisitionists, and shall be deposited at the Registered office of the company
 - 3) The requisition may consist of several documents of like form, each signed by one or more requisitionists.
 - 4) Where two or more distinct matters are specified in the requisition, the provision of clause (1) above shall apply separately in regard to each matter and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that clause is fulfilled.
 - 5) If the Board of Directors does not, within twenty –one days from the date of the deposit of the valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of these matters on a day not later than forty five days from the date of the deposit of the requisition, the meeting may be called by the requisitionists themselves or by such of the requisitionists as represent either a majority in the value of paid up share capital held by all of them or not less than one-tenth of such of the paid –up share capital of the company as is referred to in clause (1) above whichever is less
 - 6) A meeting called under clause (5) above by requisitionists or any of them shall be called in the same manner similar as that in which meetings are to be called by the Board, but shall not be held after the expiration of three months from the date of the deposit of the requisition.
 - 7) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to call meeting shall be repaid to the requisitionists by the company; and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration for their services to such of the Directors as were in default.

Notice of Meeting

- 88
 - (1) General meeting of the company may be called by giving not less than twenty one days notice in writing.
 - (2) However an general meeting may be called after giving shorter notice than twenty one days if the consent is accorded thereof:
 - (i) In the case of an Annual General Meeting by all the members entitled to vote thereat; and
 - (ii) In the case of any other meeting by members of the company holding not less than 95 percent of such part of the paid up share capital of the company as gives a right to vote at that meeting.

Contents of Notice

- 89 (1) Every notice of a meeting of members of the company shall specify the place and date and hour of the meeting and shall contain a statement of the business to be transacted there at.
- (2) In every notice there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a member of the company.

Special business

- 90 (1) In the case of an Annual General Meeting all business to be transacted at the meeting shall be deemed specially, with the exception of business relating to:-
- (i) The consideration of the Accounts, Balance sheet and Profit and Loss Account and the Report of the Board of Directors and the Auditors;
 - (ii) The declaration of dividend
 - (iii) The appointment of Directors in the place of those retiring
 - (iv) The appointment of and the fixing of the remuneration of the Auditors.
- (2) In the case of any other meeting all business shall be deemed special.
- (3) Where any item of business to be transacted at the meeting is deemed to be special as aforesaid there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business including in particular, the nature of the concern or interest if any, there in of every Director and of the Manager, provided that where any item of special business as aforesaid to be transacted at meeting of the company relates to, or effects, any other company the extent of the share holding interest of any, in that other company of every Director and the Manager of the company shall also be set out in the explanatory statement, if the extent of such share holding interest is not less than 20 percent of the paid up share capital of that other company.
- (4) Where any item of business to be transacted at the meeting of the company consists of according the approval of the meeting to any document, the time and place where the document can be inspected shall be specified in the explanatory statement.
- 91 Notice of every meeting shall be given to every member of the company in any manner authorized by Sub-Sections (1) to (4) of Section 53 of the Act and by these articles. It shall be given 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 of the representative of the deceased or assignees of the insolvent or by any like description, at the address, if any in India supplied for the purpose by the person claiming to be so entitled or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred. Provided that where notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the registered office of the Company as provided for in Sub Section (3) of Section 53 of the Act, the explanatory statement need not be annexed to the notice as required by Section 173 of the said Act, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the company.

Notice to be given to the Auditors

- 92 Notice of every meeting of the company and every other communication relating to any General Meeting of the Company which any member of the Company is entitled to have sent to him, shall be given to the Auditor or Auditors for the time being of the Company, in the manner authorized by Section 53 of the Act, as in the case of any members of the company.

As to omission to give Notice

- 93 The accidental omission to give notice of any meeting to or the non-receipt of any notice by any member or other person to whom it should be given shall not invalidate the proceedings at the Meeting or the Resolution passed thereat.

Resolution requiring special notice

- 94 (1) Where by any provision contained in the Act or in these Articles, Special Notice is required or any resolution notice of the intention to move the resolution shall be given to the company not less than fourteen days before the meeting at which it is to be moved, exclusive of the day on which the notice is served or deemed to be served and the day of the meeting.

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- (2) The Company shall, immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolution in the in the same manner as is given notice of the meeting or if that is not practicable, shall give them notice thereof either by advertisement in newspaper having an appropriate circulation or in any other mode allowed by these Articles, not less than seven days before the meeting.

Quorum at General Meeting

95 Five members entitled to vote and present in person shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business

Proceedings when quorum not present

- 96 If within half an hour after the time appointed for the holding of a General Meeting a quorum be not present the meeting if convened on the requisition of shareholders shall be dissolved and in every other case shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day, time and place as the Directors may by notice to the shareholders appoint. If at such adjourned meeting a quorum be not present within half an hour ,those members present shall be a quorum and may transact the business for which the meeting was called.

Business at adjourned meetings

- 97 No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

Chairman

- 98 The Chairman of the Board of Directors shall be entitled to take the Chair at every General Meeting. If there be no Chairman or it at any meeting he is not present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose a Chairman and in default of their doing so, the members present shall choose one of their members to be the Chairman of the meeting.

Business confined to election of Chairman whilst Chair Vacant

- 99 (1) No business shall be discussed at any General Meeting except the election of a Chairman whilst the chair is vacant.
(2) If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of the Act and these Articles, the Chairman so elected on a show of hands will exercise all the powers of the Chairman under the Act and these Articles.
(3) If some other person is elected Chairman as a result of the poll he shall be Chairman for the rest of the meeting.

Chairman with consent may adjourn meeting

- 100 The Chairman with the consent of any meeting at which a quorum is present, may adjourn any meeting from time to time and from place to place in the city or the town or village in which the Registered office of the company is situated.

Notice to be given where a meeting adjourned for thirty days or more

- 101 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. Save as aforesaid it shall not be necessary to give any notice of adjournment or of the business to be transacted at an adjourned meeting

What would be the evidence of the passing of a resolution where poll not demanded

- 102 At any General Meeting, a resolution put to vote of the meeting shall, unless poll is (before or on the declaration of the result of the show of hands) deemed to be decided on a show of hands and unless a poll is so deemed, a declaration by the Chairman that a resolution has been carried, either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings of the company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution

Demand for poll

- 103 Before or on the declaration of the result of the voting on any resolution or a show of hands, a poll may be ordered to be taken by the Chairman of his own motion and shall be ordered to be taken by him on demand made in that behalf by at least members having the right to vote on the resolution and present in person or by proxy or by a duly constituted attorney in case the member is a company or a corporation either registered in India or abroad or by any member

present in person or by proxy and having not less than one tenth of the total voting power in respect of the resolution or by any member or members present in person or by proxy and holding share in the Company, conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up which is not less than one tenth of the total sum paid up on all the shares conferring that right. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Time and manner of tacking poll

104. A pool demanded on any question (other than the election of the Chairman or on a question of adjustment, which shall be taken forthwith) shall be taken at such place in the city , town or village in which the registered office of the company is situated and at such time not being later than forty eight hours from the time when the demand was made, as the Chairman may direct. Subject to the provisions of the Act, the Chairman of the meeting shall have power to take the poll by open voting or by secret ballot and either at once or after the interval or adjournment or otherwise and the result of the poll shall be deemed to be decision of the meeting on the resolution on which the poll was taken.

Scrutineers at poll

105. When a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize votes given on the poll and to report thereon to him. The Chairman shall have the power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineers arising from such removal or from any other clause. Of the two scrutineers appointed under this Article, one shall always be a member (not being an officer or employee of the company) present at the meeting provided such a member is available and willing to be appointed

Demand for poll not to prevent, or transaction of other business

106. The demand for a poll shall not prevent the continuance of meeting for transaction of any business other than the question for which poll has been demanded.

Resolution how decided in case of equality of votes

107. In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or votes which he may be entitled as a member.

Reports, statements and Registers to be laid on the table

108. At every Annual General Meeting of the company, there shall be laid on the table the Directors Report and audited statement of Accounts, Auditor's Report, (if not already incorporated in the audited accounts) the proxy register with proxies and the Register of Directors and Managing Directors or Manager's holding maintained under Section 307 of the Act. The Auditors Report shall be read before the Company in General meeting and shall be open to inspection by any member of the company.

Registration of certain Resolutions and Agreements

109. A copy of each of the following resolutions (together with a copy of statement of material facts annexed under section 173 to the notice of the meeting in which such resolution has been passed) or agreement shall, within thirty days after the passing or making thereof, be printed or type written and duly certified under the signature of an officer of the company and filed with the Registrar :

- (a) Special Resolutions :
- (b) Resolutions which have been agreed to by all the members of the company , but which, if not so agreed to , would not have been effective for their purpose unless they had been passed as special resolutions.
- (c) resolutions of the Board or agreements relating to the appointment, reappointment or renewal of the appointment or variation of the terms of appointment of a Managing Director
- (d) resolutions or agreements which have been agreed by all the members or any class of shareholders but which if not so agreed to, would not have been effective for purpose unless they had been passed by some particular majority or otherwise in some particular manner and all resolutions or agreements which effectively bin all the members or any class of shareholders though not agreed to by all those members:
- (e) resolutions requiring the company to be wound up voluntarily passed in pursuance of sub-section (1) of Section 484 of the Act ;
- (f) resolutions passed by the company according consent to the exercise by its Board of Directors of the power under clause (a), clause (d) and clause (e) of sub-section (1) of Section 293 of the Act: and

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- (g) resolution passed by the company approving the appointment of sole selling agents under Section 224 of the Act.

A copy of every resolution which has the effect of altering the Article of Association of the company and a copy of every agreement referred to in the above sub-clauses © and (d) shall be embodied in and annexed to every copy of the Article issued after the passing of the resolution of the making of the Agreement.

Minutes of General Meeting

- 110 The company shall cause minutes of all proceedings of every General Meeting to be kept in accordance with the provisions of Section 193 of the Act, by making, within thirty days of the conclusion of such meeting, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialed 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 same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorized by the Board for that purpose. In no case the minutes of the proceeding of a meeting shall be attached any such book as aforesaid by passing or otherwise. Any such minutes kept as aforesaid shall be evidence of the proceedings recorded therein.

Inspection of minute book of General Meeting

- 111 The books containing the aforesaid minutes shall be kept at the Registered Office and be open during business hours for the inspection of any member without charge subject to such reasonable restrictions as the Company may by these Articles or in general meeting impose in accordance with Section 196 of the Act. Any member shall be entitled to be furnished within seven days after he has made a request in that behalf to the company with a copy of the minutes on payment of thirty seven paise of every one hundred words or fractional part thereof required to be copied.

Publication of report of Proceedings of General Meetings

- 112 No report of the proceedings of any General Meeting of the company shall be circulated or advertised at the expense of the company unless it includes the matters required by these Articles or Section 193 of the Act to be contained in the minutes of the proceedings of such meeting

VOTES OF MEMBERS

Votes may be given by Proxy or attorney

- 113 Subject to the provisions of the Act and these Articles, votes may be given either personally or by proxy or in the case of a body corporate also by a representative duly authorized under Section 187 of the Act and Article 115 hereof.

Votes

- 114 Subject to the provisions of the Act (and particularly of Sections 87, 88 and 92 (2) thereof, and these articles :
- (1) Upon a show of hands every member holding equity shares and entitled to vote and present in person (including a proxy of a corporation or a representative of a company as mentioned in Article 115) shall have one vote;
 - (2) Upon a poll, the voting right of every member holding equity shares entitled to vote and present in person (including a proxy of a corporation or representative of a company present as aforesaid) or by proxy shall be in the same proportion as the capital paid on the equity share or shares (whether fully paid or partly paid) held by him bears to the total paid up equity capital of the company ;

Upon a show of hands or upon a poll, the voting right of every member holding preference shares shall be subject to the provisions, limitations and restrictions laid down in Section 87 of the act.

No voting by proxy or show of hands

- 115 No member not personally present shall be entitled to vote on a show of hands unless such member is a corporation present by proxy or unless such number is a body corporate present by a representative duly authorized under section 187 of the Act or by a proxy in which case such proxy or representative may vote on a show of hands as if he were a member of the company.

Votes in respect of shares of deceased and insolvent members

- 116 Any person entitled under the Transmission Article (Article 57 hereof) to transfer any shares may vote at any General Meeting in respect thereof as if he were the registered holder of such shares; provided that at least forty eight hours before the time of holding of the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity, if any, as the Directors may require, unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.



Voting by members of unsound mind and minor

117 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 guardian may, on a poll, vote by proxy if any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than once, to be elected in case of dispute by the Chairman of the meeting.

No member to vote unless call paid up

118 Subject to the provisions of the Act, no member shall be entitled to exercise any voting right at any General Meeting either personally or by proxy or be reckoned in a quorum whilst any call or other sum shall be due presently payable to the company in respect of any of the shares of such member

Right of members to use his vote

119 On a poll taken at a meeting of the company a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Proxies

121 Every proxy shall be appointed by an instrument in writing signed by the appointor or his attorney duly authorized in writing, or if the appointor is a body corporate, be under its seal or be signed by an office or an attorney duly authorized by it.

Deposit and validity of instrument of appointment

122 (1)The instrument of proxy shall be deposited at the office of the company not less than forty eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

(2) Every member entitled to vote at a meeting of the company according to the provisions of these Articles on any resolution to be moved there at shall be entitled during the period beginning twenty four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, inspect the proxies lodged at any time during the business hours of the company provided not less than three day's notice in writing of the intention so to inspect is given to the company.

Form of Proxy

123 An instrument appointing a proxy shall be in the following form or shall contain words to the following effect.

I/We in the district of being a member /members of the above named company hereby appoint as in the district of or failing him in the district of as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting / Extraordinary General Meeting of the company to be held on the day of and at any adjournment thereof Signed this day of of

Custody of the instrument of proxy

124 Where the power to act as proxy is given by any member by executing special or general power attorney, such power of attorney shall be delivered to the company alongwith an extra copy thereof and company on comparing the copy with the original, shall be returned the original.

Validity of votes given by proxy not withstanding death of member etc

125 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of proxy under which such proxy was signed provided that no limitation in writing of the death, revocation or transfer shall have been received before the commencement of the meeting.

Time for objection to votes

126 Subject to the provisions of the Act and these Articles, no objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy or by any means hereby authorized and not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

Chairman of any meeting to be the judge of validity of any votes

127 Subject to the provisions of the Act and these Articles, the Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting and subject as aforesaid the Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

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DIRECTORS

Number of Directors

128 Unless otherwise determined by a Special resolution, the number of Directors shall not be less than three and more than twelve, including the nominated Directors (the ex-officio Director referred to in Article 129) and the Debenture Director referred to in Article 130.

The persons hereinafter named shall be the first Directors of Company.

1. P.Parthasarathi
2. P.Maheswari

Nominee Director

129 Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain by the company to the Industrial Development Bank of India (IDBI) , Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other Finance company or body out of any loans granted by them to the company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Company or Body is hereinafter in this Article referred to as “ The Corporation” continue to hold debentures in the Company by direct subscription or private placement, or so long as the Corporation holds share in the Company as a result of the underwriting or direct subscription or as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as Director or Directors , whole time or non-wholetime (which Director or Directors is /are hereinafter referred to as ‘Nominee Directors’) on the Board of the company and to remove from such office any person or persons so appointed and to appoint any person in his or their place/s. The Board of Directors of the company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such nominee Director/s shall not be required to hold any share qualifications in the company. Also at the option of the Corporation such Nominee Directors/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the company.

The Nominee Director/s so appointed shall hold the said office only so long as any money remain owing by the Company to the Corporation or so long as the Corporation holds debentures in the Company as a result of direct subscription of private placement or so long as the Corporation holds shares in the Company as a result of under-writing or direct subscription or the liability of the company arising out of any guarantee is outstanding and the Nominee Directors/s so appointed in exercise of the said power shall ipso facto vacate such office immediately, the moneys owing by the Company to the Corporation paid off or on the Corporation ceasing to hold Debentures/shares in the company arising out of any guarantee furnished by the Corporation. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and all General Meetings, Boards meetings, Board Meetings and of the Meetings of the Committee of which, the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Director/s of the company are entitled, but, if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission, moneys or remuneration in relation to such Nominee Director/s shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the corporation. Any expenses that may be incurred by the Corporation on such Nominee Director/s in connection with their appointment or directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.

Provided that, if any such Nominee Director/s is an officer of the Corporation, the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the company directly to the Corporation. In the event of the Nominee Director/s being appointed as whole time Director/s such Nominee Director/s shall exercise such powers and duties and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such Nominee Director/s shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation.

Debenture Director

130 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 the debentures or debenture stock of some person to be a Director of the Company and may empower such trustees or holders of debentures or debenture-stock from time to time to remove any Director so appointed. The Director appointed under this Article is herein referred to as the “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, subject to the provisions of the Act, to 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 effect notwithstanding any of the other provisions herein contained

Appointment of Alternate Directors

131 The Board of Directors of the company or the Collaborator as the case may be appoint an Alternate Director to act for a Director (herein after called " the Original Director) during his absence for a period of not less than three months from the state in which the meeting of the Board of Directors are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director shall be entitled to notice of Meeting of the Directors and to attend and vote thereat accordingly. The Alternate Director appointed under this article shall vacate office as and when the Original Director returns. If the term of office of the original Director is determined before he returns, any provision in the Act or in these Articles for the automatic re-appointment of retiring Director in default of another appointment shall apply to the original Director and not the Alternate Director.

Casual Vacancy

132 Subject to the provisions of Sections 262 (2) and 283 (1) and other applicable provisions (if any) of the Act, any casual vacancy occurring in the office of a Director whose period of office is liable to determine by rotation may be filled up by the Directors at a meeting of the Board. Any person so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office, if the vacancy had not occurred.

Appointment of additional Directors

133 Subject to the provisions of Section 260 and the other applicable provisions (if any) of the Act, the Directors shall have power at any time and from time to time to appoint a person or persons as Additional Director or Directors. The Additional Director shall hold office till the date of the next following Annual General Meeting but shall be eligible for re-appointment.

Qualification of Directors

134 A Director of the company shall not be bound to hold any qualification shares

Remuneration of Director

135 (1) The remuneration of a Director for his services shall be the sum of Rs.1,000/- (Rupees one thousand) for each meeting of the Board or one or more committees of the Board attended by him or such lesser amount as the Directors may agree to accept from time to time. Subject to the limitations provided by the Act, such additional remuneration; as may be fixed by the Directors may be paid to any one or more of the Directors for services rendered by him or them and the Directors shall be paid further remuneration (if any) as the Company in General Meeting shall from time to time determine, and such further remuneration shall be divided among the Directors in such proportion and manner as the Directors may from time to time determine, and in default of such determination, equally. Such remuneration and/or additional remuneration may be by way of fixed sum or commission as laid down in Sections 309, 349, 350 and 351 and Schedule XIII of the Companies Act, 1956 on net profits or by participation in profits or by any or all of these modes.

Directors not bonafide residents of the place where meetings of the Board or Committee are held may receive extra compensation and remuneration

(2) The Directors may, subject as aforesaid, allow and pay to any Director who is not a bonafide resident of the place where a meeting is held and who shall come to such place for the purpose of attending a meeting his actual expenditure for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified.

Special remuneration to Director going out of the place where he normally resides on the Company business or otherwise performing extra services

(3) Subject to the provisions of Sections 309 & 310 of the Act, if any Director, being willing, shall be called upon to perform extra services or to make any special exertion in going or residing out of the place where he normally resides or otherwise for any of the purposes of the Company, the Company shall, subject as aforesaid remunerate such Director or where there is more than one such Director to all of them together either by a fixed sum or by a percentage of profits or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for the remuneration above provided.

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Directors may act notwithstanding vacancy

136 The continuing Directors may act notwithstanding any vacancy in their body, but so that, subject to the provisions of the Act if the number falls below the minimum number above fixed and notwithstanding the absence of a quorum, the Directors may act for the purposes of filling up vacancies or for summoning a General Meeting of the Company

When office of Directors to become vacant

- 137 (1) Subject to the provisions of Section 283 (2) of the Act, the office of a Director shall become vacant if :
- (a) he is found to be unsound mind by a Court of competent jurisdiction: or
 - (b) he applies to be adjudicated an insolvent: or
 - (c) he is adjudged an insolvent : or
 - (d) he fails to pay any call made on him in respect of shares of the company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the official Gazette, removed the disqualification incurred by such failure: or
 - (e) any office or place of profit under the company or any subsidiary thereof is held by him in contravention of Section 314 of the Act : or
 - (f) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board of Directors : or
 - (g) he becomes disqualified by an order of the court under Section 203 of the Act : or
 - (h) he is removed in pursuance of Section 284 of the Act : or he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a Director, accepts a loan, or any guarantee or security for a loan, from the company in contravention of Section 295 of the Act or
 - (i) he acts in contravention of Section 299 of the Act and by virtue of such contravention shall have been deemed to have vacated office or
 - (j) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months or
 - (k) he having been appointed a Director by virtue of his holding any office or other employment in the Company cease to hold such office or other employment in the company.
 - (l) Subject to the provisions of the Act, a Director may resign his office at any time by notice in writing addressed to the company or to the Board of Directors.

Directors may contract with Company

138 (1) Subject to the provisions of sub-clauses (2), (3), (4) and (5) of this Article and the restrictions imposed by Article 145 and the other Articles hereof and the observance and fulfillment thereof, no Director shall be disqualified by his office from contracting with the Company for any purpose and in any capacity whatsoever including either as vendor, purchaser, agent, broker or otherwise, nor shall any other contract or arrangement entered into by or on behalf of the company in which any Director shall be in any way interested, be avoided nor shall any Director, so contracting or being so interested be liable to account to the Company of any profit realized by any such contract or arrangement by reason only of such of Director holding office, (or of the fiduciary relation thereby established, but it is hereby declared that) the nature of his interest must be disclosed by him as provided by sub-clauses (2), (3) and (4) hereof.

Disclosure of interest

(2) Every Director who is any way whether directly or indirectly concerned or interested in any contract or arrangement or proposed contract arrangement entered into or to be entered into by or on behalf of the company shall disclose the nature of his concern or interest at meeting of the Board of Directors or as provided in clause (4) thereof.

When disclosure to be made

3) (a) In the case of a proposed contract or arrangement, the disclosure required to be made by a Director under sub-clause(2) above shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration of if the Director was not at the date of the meeting concerned or

interested, the Director concerned shall take reasonable steps to secure that, it is brought up and read at the first meeting of the Board after it is given.

(b) In the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

General notice of Interest

(4) For the purpose of this Article, a General Notice is to be given to the Board of Directors by a Director to the effect that he is a Director or member of a specified body corporate or is a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may after the date of the notice, be entered into with the body corporate or firm shall be deemed to be sufficient disclosure of his concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for further period of one financial year in which it would have otherwise expired. The general notice aforesaid and any renewal thereof shall be given at a meeting of the Board of Directors or the Director concerned shall take reasonable steps to secure that, it is brought up and read in the first meeting of the Board after it is given.

Interested Director not to participate or vote in Board's proceedings

(5) An interested Director shall not take any part in the discussions of or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, directly or indirectly concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussions or vote, and if he does vote, his vote shall be void;

Provided that this prohibition shall not apply;

- (i) To any contract of indemnity against any loss which the Director or any one or more of them may suffer by reason of becoming or being sureties or a surety for the company.
- (ii) To any contract or arrangement entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely in his being a Director of such company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as Director thereof he having been nominated as such Director by the company or in his being a member holding not more than two percent of the paid up share capital of such Company whichever is greater;
- (iii) In case a notification is issued under sub-section (3) of Section 300 of the Act to the extent specified in the notification.

Register of contracts in which Directors are interested

139 (1) The company shall keep one or more Registers in accordance with Section 301 of the Act in which, shall be entered separately particulars of all contracts or arrangement to which Section 297 or Section 299 of the Act applies including the following particulars to the extent they are applicable in each case, namely:-

- (a) the date of the contract or arrangement;
 - (b) the name of the parties thereto;
 - (c) the principal terms and conditions thereof;
 - (d) in the case of a contract to which Section 297 of the Act applies or in the case of a contract or arrangement to which sub-section (2) of Section 299 of the Act applies, the date on which it was placed before the Board;
 - (e) the names of the Directors voting for and against the contract or arrangement and the names of those remaining neutral.
- 2) Particulars of every such contract or arrangement to which Section 297 of the Act or as the case may be, sub-section 299 of the Act applies, shall be entered in the relevant register aforesaid;
- (a) in the case of a contract or arrangement requiring the Board's approval, within seven days (exclusive of public holidays) of the meeting of the Board at which the contract or arrangement is approved;
 - (b) in the case of any other contract or arrangement, within seven days of the receipt at Registered office of the Company of the particulars or such other contract or arrangement or within thirty days of the date of such other contract or arrangement whichever is later, and the Register shall be placed before the next meeting of the Board and shall be signed by all the Directors present at the meeting;

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- (3) The Register aforesaid shall also specify, in relation to such Director of the Company, the name of the firms and bodies corporate of which notice has been given by him under sub-section (3) of Section 299 of the Act.
- (4) Noting in the foregoing sub-clauses (1), (2) and (3) shall apply to any contract or arrangement for the sale, purchase or supply of any goods, materials and services, if the value of such goods and materials or the cost of such services does not exceed Five thousand rupees in the aggregate in any year. The Registers as aforesaid shall be kept at the Registered office of the company and they shall be open to inspection at such office and extracts may be taken from any of them and the copies thereof may be required by any member of the company to the same extent in the same manner and on payment of the same fee as in the case of the Register of Members.

Directors may be Directors of Companies promoted by the Company

- 140 A Director of this Company may be, or become a Director of any company promoted by this company, or in which it may be interested as a vendor, member or otherwise and subject to the provisions of the Act and these Articles, no such Director shall be accountable for any benefits received as a Director or member of such company

Disclosure by Directors etc, of appointments

- 141 A Director, Managing Director or Secretary of the Company shall within twenty one days of his appointment to or relinquishment of his office as Director, Managing Director, Manager or Secretary in any other body corporate disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under Section 303 (1) of the Act. The company shall enter the aforesaid particulars in a register kept for that purpose in conformity with Section 303 of the Act. The company shall also furnish the aforesaid particulars to the Registrar in accordance with Section 303(2) of the Act.

Disclosure of holdings

- 142 A Director or Manager shall give notice in writing to the Company of his holding of shares and debentures of the Company or its subsidiary, together with such particulars as may be necessary to enable the company to comply with the provisions of Section 307. If such notice be not given at a meeting of the Board, the Director or Manager, shall take all reasonable steps to secure that, it is brought up and read at the meeting of the Board next after it is given. The company shall enter particulars of a Director's and Manager's holding of shares and debentures as aforesaid in a register kept for that purpose in conformity with Section 307 of the Act.

Directors no to hold office of profit

- 143 (1) Except with the consent of the Company accorded by a special resolution
- (a) No Director of the company shall hold any office or place of profit ; and
 - (b) No partner or relative of such a Director, no firm in which such a Director or relative is a partner, no private company of which such a Director is a Director or member, & no Director or Manager of such a private company shall hold any office or place of profit carrying a total monthly remuneration of three thousand or more, as may be prescribed under Section 314(1) of the Act :

Except that of Managing Director, Banker, or Trustee for the holders of Debentures of the company

- (i) under the company : or
- (ii) Under any subsidiary of the company, unless the remuneration received from such subsidiary in respect of such office or place of profit is paid over to the company or its holding company;

Provided that, it shall be sufficient if the special resolution according the consent of the company is passed at the General Meeting of the company held for the first time after the holding of such office or place of profit.

Provided further that, where a relative of a Director or firm in which such relative is a partner, is appointed to an office or place of profit under the company or a subsidiary thereof without the knowledge of the Director, the consent of the company may be obtained either in the General meeting aforesaid or within three months from the date of the appointment, whichever is later.

Explanation : For the purpose of this clause a special resolution according consent shall be necessary for every appointment in the first instance to an office or place of profit on a higher remuneration not covered by the special resolution except where an appointment on a time scale has already been approved by the special resolution.

- (2) Nothing in the clause (1) above shall apply where a relative of a Director or a firm in which such relative is a partner hold any office or place of profit under the company or a subsidiary thereof having been appointed to such office or place of profit before such Director becomes a Director of the company.

- (3) Notwithstanding anything contained in clause (1) above ;
- (a) no partner or relative of a director or manager
 - (b) no firm in which such director or manager or relative or either, he is partner,
 - (c) no private company of which such director or manager, or relative or either is a director or member

Shall hold any office or place of profit in the company which carries a total monthly remuneration of not less than six thousand rupees or as may be prescribed U/s 314 (IB) of the Act, except with the prior consent of the company by a special resolution and the approval of the Central Government.

- (4) if any office or place of profit is held in contravention of the provisions of clause(1) above, the director, partner, relative, firm or private company concerned shall be deemed to have vacated his or its office as such on and from the date next following the date of the General Meeting or the company referred to in the first provision or, as the case may be, the date of the expiry of the period of three months, referred to in the second proviso to that clause, and shall also be liable to refund to the company any remuneration received or the monetary equivalent of any perquisite or advantage enjoyed by him or it for the period immediately proceeding the date aforesaid in respect of such office or place of profit. The Company shall not waive recovery of any sum refundable to it under this clause unless permitted to do so by the Central Government ;
- (5) Every individual, firm private company or other body corporate proposed to be appointed to any office or place of profit to which this article applies shall, before or at the time of such appointment, declare in writing whether he or it is or is not connected with a Director of the company in any of the ways referred to in clause (1) hereof ;
- (6) If any office or place of profit referred to in clause (3) is held, without the prior consent of the company by a special resolution and the approval of Central Government, the partner, relative, firm or private company appointed to such office or place of profit shall be liable to refund to the company any remuneration received or the monetary equivalent of any perquisite or advantage enjoyed by him on and from the date on which the office was so held by him;
- (7) The company shall not waive the recovery of any sum refundable to it under clause (6) unless permitted to do so by the Central Government.
- (8) Any office or place shall be deemed to be an office of profit under the company within the meaning of this Article;
 - (a) in case the office or place is held by a Director and the Director holding it obtains from the company by anything by way of remuneration over and above the remuneration to which he is entitled as such Director, whether as salary, fees, commission perquisites, the right to occupy free of rent any premises as a place of residence or otherwise:
 - (b) in case the office or place is held by an individual other than a Director or by any firm, private company or other body corporate the individual, firm, private company or body corporate holding it, obtains from the company anything by way of remuneration, whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence or otherwise.

Loans to Directors

144 The company shall observe the restrictions imposed on in regard to the granting of loans to Directors and other persons as provided in Section 295 and other applicable provisions, if any, of the Act.

Board-resolution necessary for contra

- 145 (1) Except with the consent of the Board of Directors of the company, a Director of the company or his relative, a firm, in which such a Director or relative is a partner, any other partner in such a firm, or private company of which the director is a member or Director, shall not enter into any contract with the company (a) for the sale, purchase or supply of any goods, materials on service or (b) for underwriting the subscription of shares in, or debentures of the company.
- (2) Nothing contained in the foregoing clause (i) shall affect;
- (a) The purchase of goods and materials from the company or the sale of goods and materials to the company, by the Director, relative, firm, partner or private company as aforesaid for cash at the prevailing market price or
 - (b) Any contract or contracts between the company on one side and any such Director, relative, firm, partner or private company on the other for the sale, purchase or supply of any goods, materials and services in which either the company or the Director, relative, firm, partner, or private company as the case may be, regularly trades or does business.

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Provided that for the purpose of clause (b) above such contracts do not relate to goods and services the value of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts.

- (b) (3) Notwithstanding anything contained in sub-clauses (1) and (2) above, a Director, relative, firm, partner or private company as aforesaid may, in Circumstances of urgent necessity, enter, without obtaining the consent of the Board into any contract with the company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds five thousand rupees in the aggregate in any year comprised of the period of the contract; but in such a case, the consent of the Board shall be obtained at a meeting held within three months from the date on which the contract was entered into
- (4) Every consent of the Board required under this Article shall be accorded by a resolution passed at a meeting of the not otherwise, and the consent of the Board required under clause (i)above shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.
- (5) If consent is not so accorded to any contract under this Article anything done in pursuance of the contract shall be voidable at the option of the Board.
- (c) (6) The Director so contracting or being so interested shall not be liable to the company for any profit realized on any such contract or the fiduciary relation thereby established

RETIREMENT AND ROTATION OF DIRECTORS

Retirement by Rotation

- 146 (1) Not less than two-third of the total number of Directors of the company shall be persons whose period of office is liable to determination by retirement of Directors by rotation, and save as otherwise expressly provided in the act and these articles, be appointed by the company in General Meeting.
- (2) The remaining Directors shall be appointed in accordance with the provisions of these Articles and particularly in accordance with the provisions of Articles 129, 130and 173.
- (3) At the first Annual General Meeting of the company and every subsequent Annual General Meeting of the one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not third shall retire from office.

Ascertainment of Director retiring by rotation

- 147 Subject to the provisions of the Act and these Articles, the Directors to retire by rotation under the foregoing Articles at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lots. Subject to the provisions of the act, a rotating Director shall remain in office until the conclusion of the meeting at which his re-appointment is decided or his successor is appointed.

Eligibility for re-appointment

- 148 Subject to the provisions of the Act and these Articles, a retiring Director shall be eligible for re-appointment.

Company to fill up vacancy

- 149 The company, at the Annual General Meeting at which a Director retires in manner aforesaid, may fill up the vacated office by electing the retiring Director or some person thereto.

Provisions in default of appointment

- 150 (1) If the place of the retiring Director or Directors is not filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned 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 or Directors is not filled up and the meeting also has not expressly resolved not to fill the vacancy , the retiring Director, Directors shall be deemed to have been reappointed at the adjourned meeting unless:

- (a) at that meeting or at the previous meeting a resolution for the re-appointment of such Director or Directors has been put to the meeting and lost;

- (b) the retiring Director or Directors has or have by a notice in writing addressed to the company or its Board of Directors, expressed his or their unwillingness to be so re-appointed ;
- (c) he is or they are not qualified or is or are disqualified for appointment ;
- (d) a resolution, whether special or ordinary is required for his or their appointment by virtue of any provisions of the Act;
- (e) Article 152 or sub-section (2) of Section 263 of the Act is applicable to the case.

Notice of Candidature for office of Directors

- 151 (1) Subject to the provisions of the Act and these Articles any person who is not a Retiring Director shall be eligible for appointment to the office of Director at any General Meeting if he or some member intending to propose him has at least fourteen clear days before the meeting left at the Registered office of the company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office as the case may be, along with a deposit of Rupees Five Hundred which shall be refunded to such person or as the case maybe to such member, if the person succeeds in getting elected as a Director.
- (2) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office of the company a notice under sub-clause (1) of this Articles or Section 257 signifying his candidature for the office of Director) proposed as a candidate for the officer of a Director shall sign and file with the company his consent in writing to act as a Director if appointed.
- (3) On receipt of the notice referred to in this Article, the Company shall inform its members of the candidature of that person as a candidate Director or the intention of a Member of propose such person as a candidate for the office, by serving individual notices on members not less than seven days before the meeting provided that it shall not be necessary for the company to serve individual notice upon the members if the company advertise such candidature or intention, not less than seven days before the meeting in at least two newspapers circulating in the city, town or village in which the Registered office of the Company is situated, of which one is published in the English language and the other in the regional language.
- (4) A person other than;
- (a) a Director re-appointed after retirement by rotation immediately on the expiry of the term of his office ; or
 - (b) an additional or alternate Director or a person filling a casual vacancy in the office of a Director or re-appointed as Additional or Alternate Director immediately on the expiry of his term of office ; or
 - (c) a person named as a Director of the company under these Articles as first registered shall not act as a Director of the company unless he has within thirty days of appointment signed and filed with the Registrar his consent in writing to act as such Director.

Individual Resolution for Director

- 152 At a General Meeting of the company, a motion shall not be made for the appointment of two more persons as Directors of the company by a single resolution unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being against it. A resolution moved in Contravention of these Articles shall be void whether or not objection was taken at the time of its being so moved; provided that where a resolution so moved is passed, no provision for the automatic re-appointment or retiring Director by virtue of these Articles or the Act in default of another appointment shall apply.

Removal Directors

153. (1) Subject to the provisions of Section 284 of the Act, these Articles and the Collaboration Agreement, the Company may, by ordinary resolution, remove any Director other than the Directors nominated by PAIC before the expiration of his period of office and may appoint another person in his place. The person so appointed shall be subject to retirement, at the same time and in the same manner, as the Director in whose place he is appointed.
- (2) Special notice as provided by Article 94 and section 190of the Act shall be given of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.
- (3) On receipt of any such resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned, and the Director (Whether or not he is a member of the Company) shall be entitle to be heard on the resolution at the meeting.

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- (4) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the company (not exceeding a reasonable length) and request their notification to members of the company, the company shall, unless the representation is received by it too late for it to do so (a) in the notice of the resolution given to the members of the company state the fact of the representation having been made; and (b) send a copy of the representation to every member of the company and if a copy of representation is not sent as foresaid because it was received too late of the company's default, the Director may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting ; Provided that copies of the representation need not be sent or read out at the meeting if on the application either of the company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
- (5) A vacancy created by the removal of a Director under this Article may. If he had been appointed by the company in General Meeting or by the Board in pursuance of Article 132 or Section 262 of the Act be filled by the appointment of another Director in his place by the meeting at which he is removed, provided special Notice of intended appointment has been given under the date upto which his predecessor would have held office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- (6) If the vacancy is not filled under sub-clause (5) it may be filled as a casual vacancy in accordance with provisions (in so far they are applicable) of Article 132 or Section 262 of the Act and all the provisions of that section shall apply accordingly.
- (7) A Director who has been removed from office under this Article shall not be appointed as Additional Director by the Board of Directors.
- (8) Nothing contained in this Article shall be taken:-
 - (a) as depriving a person removed there under of any compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment termination with that as Director; or
 - (b) as derogating from any power to remove a Director which may exist apart From this Article.

INCREASE OR REDUCTION IN THE NUMBER OF DIRECTORS AND ALTERA TION IN THEIR QUALIFICATION

The Company may increase or reduce number of Directors and alter their qualifications

154 Subject to the provisions of the Act and these Articles, the company may by Special Resolution from time to time increase or reduce within the maximum limit permissible the number of Directors exceeding 12, shall not have any effect unless approved by the Central Government and shall become void if and so far it is disapproved by the Government.

Meeting of Directors

155 PROCEEDINGS OF BOARD OF DIRECTORS

The Directors may meet together as a Board for the despatch of business from time to time unless the general Government by virtue of the provision to Section 285 otherwise directs, and shall meet at least once in every three months and atleast four such meetings shall be held in every year, and they may adjourn and otherwise regulate their meetings and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that meeting of the Board which had been called in compliance with the terms herein mentioned could not be held for want of a quorum.

When Meeting to be convened and notice thereof

156 A Directors or the Managing Director may at any time and the managing Director upon the request of a Director shall convene a meeting of the Directors. Notice of every meeting of the Directors of the company shall be given in writing to every Director for the time being in India and at his usual address in India.

Quorum

157 Subject to the provisions of Section 287 and other applicable provisions (if any) of the Act, the quorum for a meeting of the Board of Directors shall be one third of the total strength of the Board of Directors (excluding Directors, if any, whose places may be vacant at the time, and any fraction contained in that one third being rounded off as one) or two Directors, whichever is higher, Provided that where at any time the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of remaining Directors, that is to say; the number of Directors who are not so interested and are present at the meeting, not being less than two shall be the quorum is present shall be competent to exercise all or any or the authorities, powers and directions by or under the Act or the Articles of the company, for the time being vested in or exercisable by the Board of Directors generally.

Adjournment of Meeting for want of quorum

158 If a meeting of the board cannot be held for want of quorum then the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday till the next successive day which is not a public holiday at the same time and place or at such other place as the Directors present at the meeting may fix.

Appointment of Chairman

- 159 (1) The chairman shall be appointed by the Board of Directors out of the Directors nominated by Financial Institution.
- (2) The Chairman need not be a whole time Director of the company but he shall be entitled to call for any information relating to the Company's working.

Who to preside at meeting of the Board

160 All meetings of the Directors shall be presided over by the chairman, if present, but if at any meeting of the Directors the Chairman be not present at the time appointed for holding the same, then in that case, the Managing Director, if Present, shall be the Chairman of such meeting and if the Meeting Director be also not present then in that case the Directors shall choose one of the Directors then present to preside over the meeting.

Question at Board Meeting how decided (casting vote)

161 Questions arising at any meeting shall be decided by a majority of votes, and in case of an equality of votes, the Chairman of the meeting whether appointed by virtue of these Articles or the Director presiding at such meeting shall, have a second or casting vote.

Directors may appoint Committees

162. (a) Subject to provisions of Section 292 of the Act and Article 170, the Directors may delegate any of their powers to Committees as they may think fit they from time to time remove and discharge any such committee either wholly or in part and either as to person or purposes but every Committee so formed shall in the exercises of the powers so delegated to it confirm with any regulations that may from time to time be imposed on it by the Directors. All acts done by such committee in conformity with such regulations and in fulfillment of the purpose of their appointment but not otherwise shall have the like force and effect as if done by the Board.

Meeting of Committees how to be convened

163 The meetings and proceedings of any such committee consisting of two or more Directors shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the preceding Article.

Resolution by circulation

- 164 (1) A resolution passed by circular without a meeting of the Board or a committee of the Board appointed under Article 162 shall subject to the provisions of clause 9 hereof and the Act, be as valid and effectual as a resolution passed at a meeting of the Board or of a committee duly called and held.
- (2) A resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, if the resolution has been circulation in draft together with necessary papers, if any, to all the Directors or to all members of the committee then in India (not being less in number than the quorum) for a meeting of the Board or the committee as the case may be, and to all other Directors or Members of the committee at their usual address in India and is being approved by such of the Directors or Members of the Committee as are then in India or by majority of such of them as are entitled to vote on the resolution.
- (3) Subject to the provisions on the Act a statement signed by the Managing Director or other person authorized in that behalf by the Director certifying the absence from India of any Director shall for the purpose of this Article be conclusive.

Act of Boards or committees valid notwithstanding defect of appointment

165 Subject to the provisions of the Act and these Articles, all acts done by any meeting of the Directors, by a committee of Directors by any person acting as a Directors, shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or person acting as aforesaid, or that they or any of them had been terminated by virtue of any provision contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director, provided that nothing in this article shall be deemed to give

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validity to acts done by the Directors after their appointment had been shown to the company to be invalid or to have been terminated.

Minutes of proceeding of Board of Directors and Committee to be kept

166 The Company shall cause Minutes of the Meetings of the Board of Directors and of Committees of the Board to be duly entered in a book or books provided for the purpose in accordance with the relevant provisions of Section 193 of the Act. The Minutes shall contain a fair and correct summary of the proceedings of the meeting including the following:

- (i) The name of the Directors present at the Board of Directors of any Committee of the Board;
- (ii) all orders made by the Board of Directors or Committee of the Board and all appointments of officers and Committee of the Board;
- (iii) all resolutions and proceedings or meetings of the Board of Directors and Committees of the Board;
- (iv) in the case of each resolution passed at the meeting of the Board of Directors or Committee of the Board, the name of the Directors, if any, dissenting from or not concurring in the resolutions.

By whom minutes to be signed and the effect of minutes recorded

167. All such minutes shall be signed by the Chairman of the meeting as recorded or by the person who shall presides as chairman at the next succeeding meeting and all minutes, purported to be signed, shall for all purposes whatsoever be prima facie evidence of the actual passing of the resolutions recorded and the actual and regular transaction or occurrence of the proceedings so recorded and of the regularity of the meeting at which the same shall appear to have taken place.

POWERS OF DIRECTORS

General power of Directors

- 168.** (1) Subject to the provisions of the Act and these Articles, the Board of Directors of the company shall be entitled to exercise all such powers and to do all such acts and things as the company is authorized to exercise and do; provided that the Board shall not exercise any power or do act or things which is direct or required whether by the Act or any other law or by the Memorandum or these Articles or otherwise to be exercised or done by the company in general meeting, provided further that in exercising any such power or doing any such act or things the Board shall be subject to the provisions contained in that behalf in the Memorandum or in these articles or in any regulations not inconsistent therewith duly made there under including resolutions made by the company in general meeting.
- (2) No regulations made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulations had not been made.

Consent of Company necessary for the exercise of certain powers

169 The Board of Directors shall not, except with the consent of the company in general meeting:

- (a) Sell lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company, or where the company owns more than one undertaking, of the whole or substantially the whole, of any undertaking;
- (b) remit or give time for the payment of, any debt due by a Director;
- (c) create any sole selling agency for sale of its products;
- (d) 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 Sub-Clause (a) above or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time ;
- (e) borrow moneys in excess of the limits provided in Article 75 ;
- (f) contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, any amount the aggregate of which will, in any financial year, exceed twenty five thousand rupees or five per cent of its average net profit determined in accordance with the provisions of Sections 349 and 350 of the Act, during the three financial years immediately preceding, whichever is greater.

Certain Power to be exercised by the Board only at meeting

170 (1) Without derogating from the powers vested in the Board of Directors under these Articles the Board shall exercise the following powers on behalf of the company and shall do so only by means of resolutions passed at meetings of the Board :

- a) The power to make calls on shares in respect of money unpaid on their shares;
- b) The power to issue debenture;
- c) The power to borrow moneys otherwise than on debentures;
- d) The power to invest the funds of the company ;
- e) The power to make loans.

Provided that the Board may by a resolution passed at a meeting delegate to any committee of Directors or the Managing Director or any other Principal officer of the company or to a principal officer of any of its branch offices, the powers specified in sub clauses as the Board may prescribe.

- 2) Every resolution delegating the power referred to in sub-clause (1) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate. Provided, however, that where the company by way of overdraft, cash credit or otherwise, the actual day to day operation of the overdraft, cash credit or other account by means of which the arrangement is made or availed of, shall not require the sanction of the Board.
- 3) Every resolution delegating power referred to in sub-clause (1) (d) shall specify the total amount upto which the funds may be invested and the nature of the investments which may be made by the delegate.
- 4) Every resolution delegating the power referred to in sub-clause (1) shall specify the total amount upto which loans may be made by the delegate, the purpose for which may be made.
- 5) Nothing contained in this Article shall be deemed to affect the right of the company in general meeting to impose restrictions and conditions on exercise by the Board of any of the powers referred to in sub-clauses (a),(b),(d) and (e) of clause (1) above.

Certain Express Powers of the Board

171 Without prejudice to the powers conferred by Articles 75 and 168 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 Articles 169 and 170, it is hereby declared that the Directors shall have the following powers, that is to say, power

To pay preliminary and promotional costs and charges

- (1) To pay all costs charges and expenses preliminary and incidental to the promotion, establishment, and registration of the company.

To pay commission and interest

- 2) To pay and charge to the capital of the company any commission interest lawfully payable thereat under the provisions of Section 76 208 respectively of the Act and Articles 15 and 181.

To acquire property

- 3) Subject to the provisions of the Act these Articles to purchase or otherwise acquire for the company any property, rights or privileges which the company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or other acquisition to accept title as the Directors may believe or may be advised to be reasonably satisfactory.

To pay for property in debentures and otherwise

- 4) At their discretion and subject to the provisions of the Act, to pay for any

Property or rights acquired by, services rendered to the company, either wholly or partly in cash, or in shares, bonds, debentures, debenture-stock, mortgage or other securities of the company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debenture-stock, mortgage 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.

To insure properties of the Company

- 5) 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 part of the building, machinery, goods, produce and other movable property of the company either separately or conjointly :also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the company and to sell assign, surrender or discontinue any policies of assurance effected in pursuance of this effected in pursuance of this power.

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To open accounts with bank

- (6) To open accounts with any bank or bankers or with any company or firm and to pay money in to and draw money from any such account from time to time as the Directors may think fit.

To secure contracts by mortgage

- (7) To secure the fulfillment of any contracts or engagements 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 other manner as they think fit.

To attach conditions transfer to any shares

- (8) To attach to any shares to be issued as the consideration or part of the consideration for any contract with or property acquired by the company or in payment for services rendered to the company, such condition as to the transfer thereof as they think fit.

To accept surrender of shares

- (9) To accept from any member on such terms and conditions as shall be agreed a surrender of his shares or stock or any thereof so far as may be permissible by law.

To appoint Trustees

- (10) To appoint any person (whether incorporated or not) to accept and hold in trust for the company any property any property belonging to the company or in which it is interested, or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust and or provided for the remuneration of such trustee or trustees.

To bring and defend

- (11) To institute, conduct, defend, compound or abandon any legal proceedings by or against the company or its offices, or otherwise, concerning the affairs of the company and so to compound and allow time for payment or satisfaction of any debt, due or of any claims or demands by or against the company.

To refer to arbitration

- (12) To refer any claim or demand by or against the company or any difference to arbitration and observe and perform any awards made thereon.

To act in insolvency matters

- (13) To act on behalf of the company in all matters relating to bankrupts and insolvents.

To give receipts

- (14) To make and give receipts, releases and other charges for moneys payable to the company and for the claims and demands of the company.

To authorize acceptances

- (15) To determine from time to time who shall be entitled to sign on the company's behalf bills, notes, receipt, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.

To make investments

- (16) Subject to the provisions of the Act and these Articles to invest and deal with any moneys of the company not immediately required for the purpose thereof upon such security and other investments (not being shares of this company) or without security and in such manner as they may think fit, and from time to time vary or release such investments provided that saves as permitted by Section 49 of the Act all investments shall be made and held by the company in its own name.

To execute Mortgages

- (17) 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 as surety for the benefit of the company, such mortgage of the company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions and agreements as shall be agreed on.

To distribute Bonus

- (18) To distribute by way of bonus amongst the staff of the company, a part of 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.

Arrangement for sharing profits

- (19) Subject to the provisions of the Act, to give to any officer or other person employed by the company an interest in any particular business or transaction by way of a share in the general profit of the company, and such share or profits shall be treated as a part of the working expenses of the company.

To create depreciation and other funds

- (20) To provide for the welfare of employees or ex-employees of the company and its Directors or Ex-Directors and the wives, widows and families and the dependants or connections of such persons, by building of houses, dwellings or quarters or by grant of money, pensions, gratuities, allowances, bonus, profit sharing bonus or benefits or any other payments or by creating and from time to time subscribing or contributing to provident and other funds, profit sharing or other schemes or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendances and other forms assistance, welfare or reliefs as the Directors shall think fit and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public or any other institution's objects or purposes for any exhibition.
- (21) To create depreciation and other funds

Before recommending any dividend to set aside out of the profits of the company such as they may think proper for depreciation or to a Depreciation fund, Insurance Fund, General Reserve Fund, Sinking Fund or any special or other fund or funds or account or accounts to meeting contingencies, or to pay Redeemable Preference Shares, debentures or debenture stock or special dividends, and for equalizing dividends, and for repairing, improving and maintaining any part of the property of the company, and/or for such purposes (including the purposes referred to in the last two preceding sub-clauses) as the Directors may, in their absolute discretion think conducive to the interests of the company and to invest the several sums, to set aside or as much thereof as are required to be invested upon such investments (subject to the restrictions imposed by the Act) as the Directors may think fit, and from time to time to deal with and vary any such investment 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 Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interests of the company notwithstanding that the matters to which the Directors apply or upon which the capital or moneys of the company might rightly be applied or expended and to divide the Reserve, General Reserve, or the Reserve fund into such special funds as the Directors may think fit, and to employ the assets constituting all or any of the above funds or accounts, including the Depreciation Fund appropriated out of net profits in the business of the company or in the purchase or repayment of Redeemable preference shares, debentures or debenture stock and that without being bound to keep the same separate from the other assets and without being bound, to allow or pay interest on the same with power however to the Directors at their discretion to pay or allow to the credit of such fund interest at such rate as to determine their powers and duties and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit, and also without prejudice as aforesaid, from time to time to provide for the management and transaction of the affairs of the company in any specified locality in India or elsewhere in such manner as they think fit and the provisions contained in sub clauses (24), (25), (26) and (27) following shall be without prejudice so the general powers conferred by this sub-clause.

To appoint employees

- (22) Subject to the provisions of the Act, to appoint and at their discretion remove or suspends such managers, secretaries, officers, clerks, agents and employees for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit, and also without prejudice as aforesaid, from time to time to provide for the management and transaction of the affairs of the company in any specified locality in India or elsewhere in such manner as they think fit and the provisions contained in sub clauses (24), (25), (26) and (27) following shall be without prejudice so the general powers conferred by this sub-clause.

To comply with local laws

- (23) To comply with the requirements of the any local law which in their opinion it shall in the interest of company be necessary or expedient to comply with.

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Local Board

- (24) From time to time and any time to establish any Local Board for managing of the affairs of the company in any specified locality in India or elsewhere and to appoint any persons to be members of any Local Board, or any managers or agents, and to fix their remuneration.

Delegation

- (25) Subject to the provisions of Section 292 of the Act and Article 170 from time to time and at any time to delegate to any such local Board or any member or members thereof, any managers or agents so appointed, any of the powers, authorities and discretion for the time being vested in the Board of Directors, and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies, and any such appointment of delegation under sub-clause be subject to such conditions as the Board of Directors may think fit and the Board of Directors may at any time remove any person so appointed and may annul or vary any such delegation

Power of Attorney

- (26) At any time and from time to time by power of attorney 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 of Directors under these presents and excluding the powers which may be exercised only by the Board of Directors at a meeting of the Board under the Act or these Articles or by the Company in General Meeting) and for such period and subject to such conditions as the Board of the Directors may from time to time think fit and any such appointment may (if the Board of Directors think 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 members, directors, nominees or managers of any company, or firm or other wise in favour of any body of persons whether nominated directly, or indirectly by the Board of Directors and any such power of attorney may contain powers enabling any such delegate or attorney as aforesaid to sub-delegate all or any of the powers and authorities for the time being vested in them.

To delegate Powers

- (27) Subject to the provisions of the Act and these Articles, to delegate the powers, authorities and discretions vested in the Directors to any person, firm, company or fluctuating body of persons as aforesaid.

To enter into contracts

- (28) Subject to the provisions of the Act and these Articles or in relation to any of the matters aforesaid or otherwise for the purpose 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 for or in relation to any of the matters aforesaid or otherwise for the purpose of the company.

Power to appoint Managing Director

172. a) Subject to the provisions of Section 269, 316 and 317 and other applicable provisions of the Act and with the consent of the collaborator, the Board shall from time to time appoint one of the Directors as Managing Director of the Company.

Power to appoint wholetime Director

- (b) Subject to the Provisions of Section 269 and other applicable provisions of the Act, the Board may from time to time appoint one Director as whole time Director of the company for such term not exceeding five years at a time and may from time to time remove, dismiss him from office and appoint another in his place. Such appointments of whole time Directors shall be approved by special resolution in the General Meeting.

Duties and power of wholetime Directors

- (c) The wholetime Director or Directors, so applied shall carry out such functions and have such powers as may be entrusted and/or delegated to him or them by the Board of Directors in consultation with the Managing Director. The wholetime Director or Directors shall work under the supervision and control of Managing Director.

Managing Director to be non-rotational and a whole time Director

173. The whole time Director be a Wholetime Director of the company. A Managing Director so appointed shall not while holding the office be subject to retirement by rotation but he shall be taken into account in determining the number of Directors to retire by rotation.

Remuneration of Managing Director

174. The remuneration of the Managing Director or Managing Directors or whole time Director or wholetime Directors (subject to the provisions of Section 309 and other applicable provisions of the Act and of these Articles and of any contract between him or them and the company) shall be in accordance with the terms of his or their contract with the company.

Power and Duties of Managing Director

175. Subject to provisions of the Act and to the terms of any Resolution of the company in General Meeting of any Resolution of the Board the Managing Director shall have effective control of the day to day management of the company, under the superintendence, control or direction of the Board, He may, subject to the approval of the Board, have power to do all acts, matters and things deemed necessary, power or expedient for carrying on the business and concern of the company, including power to appoint, suspend and dismiss officers, staff and workmen of the company and to exercise such powers as are delegated to him by the Board or as may be detailed in the agreement between him and the Company in such matters as incurring capital and revenue expenditure on behalf of the Company, entering into contracts, taking suitable legal actions, operating on bank accounts, making investment and other subjects.

SECRETARY

176. Subject to the provisions of Section 2(45) & 383A of the Companies Act the Directors may appoint a Secretary of the Company for such term at such remuneration and upon such conditions as they may think fit and any Secretary so appointed may be removed by them. The Directors may appoint a temporary substitute for the Secretary, Who shall for the purpose of these presents, be deemed to be the Secretary. The main function of the Secretary shall be the responsibility for maintaining registers required to be kept under the Act, for making the necessary returns to the Registrar of Companies under the Act and for getting the necessary documents registered with the Registrar and for carrying out all other administrative and ministerial acts. Duties and functions which a Secretary of Company is normally supposed to carry out, such as giving the necessary notices to the members, preparing agenda of meetings, issuing notice to Directors, preparing minutes of meetings of members and of directors and of any committee of directors and maintaining minute books and other statutory documents, and he shall carry out and discharge such other functions and duties as the director or the Managing Director may from time to time require him to do.

REGISTERS, BOOK AND DOCUMENTS

Registers, Books and Documents to be maintained by the Company

177. (1) The company shall maintain all Registers, Books and Documents as required by the Act or these Articles including the following namely:
- (a) Register of investments held in the company's name according to Section 49 of the Act.
 - (b) Register of Debentures and charges according to Section 143 of the Act.
 - (c) Register of Members and Index of Members according to Section 150 and 151 of the Act.
 - (d) Register and Index of Members according to section 152 of the Act.
 - (e) Register of Contracts with and of Companies and Firms in which Directors are interested according to Section 301 of the Act and shall enter therein the relevant particulars contained in Sections 297 and 299 of the Act.
 - (f) Register of Directors and Managing Directors according to Section 303 of the Act.
 - (g) Register of Shareholdings and Debenture holdings of Directors according to Section 307 of the Act.
 - (h) Register of investments in Shares or Debentures of bodies corporate according to section 372 of the Act.
 - (i) Books of Account in accordance with the provisions of Section 209 of the Act.
 - (j) Copies of instruments creating any charges requiring registration according to section 136 of the Act.
 - (k) Copies of annual returns prepared under Section 159 of the Act together with the copies of the certificates required under Section 161 of the Act.
 - (l) Register of Renewed and Duplicate certificates according to Rule 7(2) of the Companies (Issue of share certificates) Rules, 1960
 - (m) The said Registers, Books and Documents shall be maintained in conformity with the applicable provisions of the Act and shall be kept open for inspection for such person as may be entitled thereto respectively, under the Act, on such days and during such business hours as may, in that behalf be determined in accordance with the

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provisions of the Act, or these Articles and extracts shall be supplied to those persons entitled thereto in accordance with the provisions of the Act or these Articles.

- (n) The company may keep a Foreign Register of Members in accordance with Section 157 and 158 of the Act. Subject to the provisions of Section 157 and 158, the Directors may from time to time make such provisions as they may think fit in respect of the keeping of such Branch Registers of Members and / or Debenture holders.

THE SEAL

Seal

- 178. The Directors shall provide a Seal for the Purposes of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Directors shall provide for the custody of the Seal for the time being and the seal shall never be used except by or under the authority of the Directors or a Committee of Directors previously given, and in the presence of two Directors of the company or such other persons appointed by the Directors for the purpose.

Deeds how executed

- 179. Subject to the provisions relating to the issue of share certificates every deed or the other instruments to which the seal of the Company is required to be affixed shall, unless the same is executed by duly constituted attorney of the company, be signed by the Managing Director or two Directors. Provided nevertheless the certificate of debentures may be signed by one Director only or by the Secretary of the company or by an Attorney of the Company duly authorised in this behalf and certificates of shares shall be signed as provided in Article 16.

Seals abroad

- 180. The company may exercise the powers conferred by Section 50 of the Act and such powers shall accordingly be vested in the Directors.

INTEREST OUT OF CAPITAL

Payment of interest out of capital

- 181. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant, which cannot be made profitable for a lengthy period, the company may pay interest on so much of that share capital as is for the time being paid up for the period, at the rate, and subject to the conditions and restrictions provided by section 208 of Act, and may charge the same to capital as part of the cost of construction of the works building or the provision of plant.

DIVIDENDS

Division of Profits

- 182. The profit of the company subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital paid up on a share held by them respectively. Provided always that capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to such dividend proportionate to the capital from time to time paid up during such period on such share.

Capital paid up in advance at interest not to earn dividend

- 183. Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest confer a right to dividend or to participate in profits.

Dividends in proportion to amount paid up

- 184. The company may pay dividends in proportion to the amount paid up or credited as paid upon each share; where a larger amount is paid up, credited as paid upon some shares than on others.

The company in General Meeting may declare a dividend

- 185. The company in General Meeting may, subject to the provisions of Section 205 of the Act, declare a dividend to be paid to the members according to their respective rights and interests in the profits and subject to the provisions of the Act may fix the time for its payment. When a dividend has been so declared, either the dividend shall be paid or the warrant in respect thereof shall be posted within 42 days of the date of the declaration to the shareholders entitled to the payment of the same.

Reserves

186. Subject to the provision of the Act the Board shall in accordance with section 205 (2A) of the Act before recommending any dividends, set aside out of the profits of the company such sums as it thinks proper as reserves which shall, at discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and such application may at the discretion, either be employed in the business of the company or be invested in such investments. The Board may also carry forward any profit which it may think prudent not to divide without settle the aside as a reserves.

Power of company to limit dividend

- (i) No larger dividend shall be declared than is recommended by the Directors, but the company in general meeting may declare a similar dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the company, or otherwise, than in accordance with the provisions of Sections 205, 205A, 205B, 206 and 207 of the Act and no dividend shall carry interest as against the company. The declaration of the Directors as to the amount of the net profits of the company shall be conclusive.
- (ii) No unclaimed or unpaid dividend shall be forfeited by the company and the same shall be dealt with in accordance with Section 205 A and 205 B of the Companies Act, 1956.

Interim Dividend

187. Subject to the provisions of the Act, the Directors may from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies.

Retention of dividends until completion of transfer under Article 57

188. Subject to the provisions of the Act, the Directors may retain the dividends payable upon any shares in respect of which any person is under Article 57 hereof, entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same. The provisions of this Article shall apply to any interest created in a share either by reason of transmission or by operation of law or otherwise.

No member to receive dividend whilst indebted to the company and Company's right of reimbursement thereat

189. Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any money may be due or owing from him to the company in respect of such share or shares or otherwise howsoever either alone or jointly with any other persons or persons; and the Directors may deduct from the interest or dividend payable to any member all sums of money due from him to the company.

Transfer of shares must be registered

190. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Dividends how remitted

191. Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the Registered Address of the member or person entitled to the share or in the case of joint holders to that one of them first named in the Register in respect of the joint holding, every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member, other person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Un paid dividend

192. No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the unclaimed dividend shall be dealt with in accordance with provision of Section 205 (A) of the Act.

Dividend and call together

193. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members of such amount as the meeting fixes, but so that the call to each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may, if so arranged between the company and the members, be set off against the call.

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Capitalisation

194. (1) Any General Meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys) arising from the realisation and where permitted by law from the appreciation in value of any capital assets of the company standing to the credit of the General Reserve, or any Reserve Fund or any other fund of the company or in the hands of the company and available for dividend be capitalized:-
- (a) By the issue and distribution as fully paid up shares of the company;
 - or
 - (b) By crediting shares of the company which may have been issued and are credited as partly paid up with the whole or any part of the sum remaining unpaid thereon.

Provided that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the company to be issued to members (as herein provided) as fully paid bonus shares.

- (2) Such issue and distribution under (1) (a) above and such payment to the credit of unpaid share capital under (1) (b) above shall be made to among and in favour of the members or any class of them or any of them entitled thereto in accordance with their respective rights and interest and in proportion to the amount of the capital paid up on the shares held by them respectively, in respect of which such distribution under (1) (a) or payment under (1) (b) above shall be made on the footing that such members become entitled thereto as capital.
- (3) The Directors shall give effect to any such resolution and apply such portion of the profits. General Reserve of Reserve fund or any other Fund or account as aforesaid as may be required for the purpose of making payment in full for the shares of the company so distributed under (1) (a) above or (as the case may be) for the purpose of paying in whole or in part the amount remaining unpaid on the shares which may have been issued and are not fully paid under (1) (b) above, provided that no such distribution or payment shall be made unless recommended by the Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.
- (4) For the purpose of giving effect to any such resolution the Directors may settle any difficult which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of specific assets and may determine that cash payment be made to any members on the footing of the value so fixed and may vest any such cash or shares in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such agreement for the acceptance, allotment and sale of such shares and fractional certificates or otherwise as they may think fit.
- (5) Subject to the provisions of the Act and these Articles, in cases where some of the shares of the company are fully paid and others are partly paid, only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereof but so that as between the holders of the fully paid shares, and the partly paid shares the sums so applied on the payment of such further shares and in the extinguishment or diminution of the liability of the partly paid shares shall be so applied prorata in proportion to the amount then already paid or credited as paid on the existing fully paid shares respectively.
- (6) When deemed requisite a proper contract shall be in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

ACCOUNTS

Books of Account to be kept

195. (1) The company shall keep at its Registered Officer proper Books of Accounts with respect to
- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
 - (b) all sales and purchases of goods by the company
 - (c) the assets and liabilities of the company and
 - (d) all such accounts and records as may be prescribed under section 209(1) of the Act.

Provided that all or any of the books of account aforesaid may be kept at such other places in India as the Board of Directors may decide and when the Board of Directors so decides, the company shall, within seven days of the decision, file with the Registrar a Notice in writing giving the full address of that other place.

- (2) If the company shall have a branch office, whether in or outside India, proper books of account relating to the transactions effected at that office shall be kept at that office, and proper summarized returns, made up-to date at intervals of not more than three months shall be sent by the branch offices of the company to its Registered Office or other place in India, as the Board thinks fit where the main books of the company are kept.
- (3) All the aforesaid books shall give a true and fair view of the affairs of the company or its branch office, as the case may be, with respect to the matters aforesaid, and explain its transactions.
- (4) The Books of Account and other books and papers shall be open to inspection by any Director during business hours.

Books of Accounts to be preserved

196. The Books of Account of the company relating to a period of not less than eight years immediately preceding of current year together with the vouchers relevant to any entry in such books of account shall be preserved in good order.

Inspection by Member of Accounts and books of the Company

197. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the company or any of them shall be open to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Directors or by the company in General Meeting.

Statement of Account to be furnished to Annual General Meeting

198. The Board of Directors shall lay before each Annual General Meeting, a profit and loss account, which shall relate
- (a) in case of the First Annual General Meeting of the Company, to the period beginning with the incorporation of the company and ending with a day which shall not precede the day of the meeting by more than nine months; and
 - (b) in case of any subsequent Annual General Meeting of the company, to period beginning with the day immediately after the period for which the account was last submitted and ending with the day which shall not precede the day of the meeting by more than six months, or in case where an extension of time has been granted for holding the meeting under the second proviso to sub-section (1) of Section 166 by more than six months and the extension so granted. The period, to which the account aforesaid relates is referred to in this Article as a "financial year" and it may be less or more than a calendar year, but is shall not exceed fifteen months; provided nevertheless it may extend to eighteen months where special permission has been granted in that behalf by the Registrar of Companies.

Balance Sheet and Profit and loss account

199. (1) (a) Subject to the provisions of Section 211 of the Act, every balance sheet shall give a true and fair view of the state of affairs of the company as at the end of the financial year and shall, subject to the provisions of the said Sections, be in the form set out in Part-1 of Schedule VI of the Act, or as near thereto as circumstances admit or in such other form as may be approved by the Central Government either generally or in any particular case and in preparing the balance sheet due regard shall be had, as far as may be, to the general instructions for the preparation of balance sheet under the heading "Notes" at the end of that part.
- (b) Subject as aforesaid, every Profit and Loss Account shall give a true and fair view of the profit or loss of the company for the financial year and shall subject as aforesaid, comply with requirements of part-II of Schedule VI of the Act, so far as they are applicable thereto.
- (2) There shall be annexed to every Balance sheet a statement showing the bodies corporate (including separately the bodies corporate in the same group) within the meaning of the Section 372 (2) of the Act in the shares of which investment have been made by it including all investment whether existing or not, made subsequent to the date as at which the previous Balance sheet was made out and the nature and extent of the investment so made in each body corporate.
- (3) So long as the company is holding company having a subsidiary, the company shall conform to section 212 and other applicable provisions of the Act.

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- (4) If in the opinion of the board, any of the current assets of the company have not a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion shall be stated.

Authentication of Balance Sheet and Profit and Loss Account

200. (1) Every balance sheet and every profit and loss account of the company shall be signed on behalf of the Board of Directors, by the Secretary if any, and by not less than two Directors of the company, one of whom shall be the Managing Director where there is one.
- (2) Provided that when only one Director is for the time being in India, the Balance sheet and Profit and Loss Account shall be signed by such Director and in such a case there shall be attached to the Balance Sheet and the profit and Loss Account a statement signed by him explaining the reason for non-compliance with the provisions of Sub-Clause (1) above.
- (3) The Balance sheet and the profit and Loss Account shall be approved by the Board of Directors before they are signed on behalf of the Board in accordance with provisions of this Article and before they are submitted to the Auditors for their report thereon.

Profit and Loss Account to be annexed and Auditor's Report to be Attached to the Balance Sheet

201. The Profit and Loss Account shall be annexed to the Balance Sheet and the Auditor's Report (including Auditor's separate, special or supplementary reports, if any) shall be attached thereto.

Board's Report to be attached to Balance Sheet

202. (1) Every balance sheet laid before the company in general meeting shall have attached to it a report by the Board of Directors with respect to the state of the company's affairs the amount if any, which recommends to be paid by way of dividend and material charges and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the Balance sheet relates and the date of the report.
- (2) The report shall, so far as it is material for the appreciation of the state of the company's affairs by its members, and will not in the Board's opinion be harmful to the business of the company or of any of its subsidiaries, deal with any charges which have occurred during the financial year in the nature of the company's business, in the company's subsidiaries or in the nature of the business carried on by them and generally in the classes of business in which the company has an interest.
- (3) The Board shall also give the fullest information and explanations in its reports or in cases falling under the provisions to section 222 of the Act in an addendum to that report, or every reservation, qualification, or adverse remark contained in the Auditor's report.
- (4) The board's report and addendum (if any) thereto shall be signed by its Chairman if he is authorised in that behalf by the Board and where he is not so authorised shall be signed by such number of Directors as are required to sign the Balance Sheet and the profit and Loss Account of the company by virtue of sub-clauses (1) and (2) of Article 200.
- (5) The Board shall have the right to charge any person not being a Director with the duty of seeing that the provisions of clauses (1) to (3) of this Article are complied with.

Right of members to copies of Balance Sheet and Auditor's Report and Directors Report

203. The company shall comply with the requirements of section 219 of the Act.

ANNUAL RETURNS

Annual Returns

204. The company shall make requisite Annual Returns in accordance with the provisions of Section 159 and 161 of the Act, and shall file with the Registrar three copies of the Balance Sheet and Profit and Loss Account in accordance with section 220 of the Act.

AUDIT

Account to be audited

205. Once at least in every year the accounts of the company shall be balanced and audited and the correctness of the Profit and Loss Account and Balance Sheet ascertained by one or more Auditor or Auditors.

Appointment of Auditors

206. Subject to the provisions of Section 224 and 224 A the Act, the company at each Annual General Meeting shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment, give intimation thereof to every auditor so appointed, unless he is retiring Auditor.

Automatic re-appointment

- (2) At every Annual General Meeting a retiring Auditor, by whatsoever authority appointed, shall be re-appointed unless;
- (a) he is not qualified for re-appointment;
 - (b) he has given to the company notice in writing of his unwillingness to be re-appointed;
 - (c) a Resolution has been passed at that meeting appointing somebody instead of him or providing expressly that he shall not be re-appointed;
 - (d) Where notice had been given of an intended Resolution to appoint some person or persons in the place of a retiring Auditor, and by reason of death, incapacity or disqualification of the person or of all those persons, as the case may be, the Resolution cannot be proceeded with.

Power of Central Government to fill vacancy

- (3) Where at an Annual General Meeting no Auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy.

Company to intimate to Central Government

- (4) The company shall, within seven days of the Central Government's power under sub-clause (3) becoming exercisable, give notice of that fact to that Government

Appointment of First Auditors

- (5) The first Auditor or Auditors of the company shall be appointed by the Board of Directors within one month of the date of registration of the company and the Auditor or Auditors so appointed shall hold office until the conclusion of the first annual general meeting; provided that the company may, at a general meeting; provided that the company may, at a general meeting remove any such auditor or all or any such auditors and appoint in his or their places any other person or persons who have been nominated for appointment by any member of the company and of whose nomination notice has been given to the members of the company not less than fourteen days before the date of the meeting,

Casual Vacancy

- (6) The Directors may fill any casual vacancy in the office of Auditor, but where any such vacancy continues, the surviving or continuing Auditor or Auditors (if any) may act, but where such vacancy is caused by the resignation of an Auditor, the Vacancy shall only be filled by the company in General Meeting. Any Auditor Appointed in a casual vacancy shall hold office until the conclusion of the next Annual General Meeting.

Auditor not be removed without prior approval of Central Government

- (7) Except as provided in the proviso to clause (5) above, any Auditor appointed under this Article may be removed from office before the expiry of his term only by the company in General Meeting after obtaining the previous approval of the Central Government in that behalf.

Special Notice required for appointment to person other than retiring Auditor

- (8) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless special notice of a Resolution for appointment of that person to the office of Auditor has been given by the member to the company not less than fourteen days before the meeting in accordance with Section 190 of the Act, and the company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the members in accordance with Section 190 of the Act. And all other provisions of SECTION 225, shall apply in the matter. The Provisions of this clause shall also apply to a resolution that a retiring Auditor shall not be re-appointed.

Qualifications and disqualifications of Auditors

- (9) The persons qualified for appointment as auditors shall be only those referred to in Section 226 of the Act.
- (10) None of the persons mentioned in Section 226 of the Act, as not qualified for appointment as Auditors shall be appointed as Auditors of the Company.

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Audit of Branch Officers

207 The company shall comply with the provisions of Section 228 of the Act, in relation to the audit of the accounts of branch offices of the company except to the extent to which any exemption may be granted by the Central Government in that behalf.

Remuneration of Auditors

208 The remuneration of the Auditors of the company shall be fixed by the company in General Meeting except that remuneration of the first Auditors appointed by the Board and of any Auditors appointed to fill any casual vacancy may be fixed by the Directors.

Rights and duties of Auditors

209 (1) Every Auditor of the company shall have the right of access at all times to the books and vouchers of the company kept at the Registered Office of the Company or elsewhere and shall be entitled to require from the Directors and Officers of the company such information and explanations as may be necessary for the performance of the duties of the Auditors.

Right to receive notice of General Meeting etc.,

(2) All notice of and other communications relating to any General Meeting of a company which any member of the company is entitled to have received shall also be forwarded to the Auditor of the company; and the Auditor shall be entitled to attend any General Meeting and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.

Auditor's Report

(3) The Auditor shall make a report to the Members of the company on the accounts examined by him and on every balance Sheet and Profit and Loss Account, and on every other document declared by the Act to be part of or annexed to the Balance Sheet or Profit and Loss Account which are laid before the Company in General Meeting during his tenure of office, and the Report shall state whether in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by the Act in the Manner so required and give a true and fair view:-

- (i) in the case of the Balance Sheet, of the state of the company's affairs as at the end of its financial year; and
- (ii) in case of the profit and Loss Account, of the profit or loss for its financial year.

(4) The Auditor's report shall also state:

- (a) Whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for purpose of his audit.
- (b) Whether in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of these books and proper return adequate for the purposes of his audit have been received from branches not visited by him;
- (c) Whether the report on the account of any branch office un audited under section 228 by a person other than the company's Auditor has been forwarded to him as required by clause (c) of sub-section (3) of that section and how he had dealt with the same in preparing the Auditor's Report;
- (d) Where the company's Balance sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and returns;
- (5) Where any of the matters referred to in sub-clauses (i) and (ii) of the clause (3) of this Article or sub-clauses 4 (a), (b), (c) and (d) thereof answered in the negative or with a qualification the Auditor's report shall state the reason for the answer.

(6) The Auditor's Report shall also comply with the requirements of the manufacturing and other companies (Auditor's Report) order, 1988 issued under section 227 (4A) of the Act as may be applicable in the case of this company.

(7) The accounts of the company shall not be deemed as not having been, and the Auditor's Reports shall not state these accounts have not been properly drawn upon the ground merely that the company has not disclosed certain matters if:

- (a) Those matters are such as the company is not required to disclose by virtue of any provision contained in the Act, or any other Act ; and

(b) These provisions are specified in the Balance Sheet and Profit and Loss Account of the Company.

Accounts when audited and approved to be conclusive except as to errors discovered within three months

210. Every account when audited and approved by a General Meeting shall be conclusive except as regard any error discovered therein within three months next after the approval thereof. Whenever any such error is discovered within that period, the account shall forthwith be corrected and therefore shall be conclusive and a copy of the accounts as corrected should be filed with the Registrar.

DOCUMENTS AND SERVICE OF DOCUMENTS

Service of documents how effected

211. (1) A document (which expression for this purpose shall be deemed to include and shall include any summons, notice, requisition, process, order, judgment or any other document in relation to or in the winding up of the company may be served or sent by the company on or to any member either personally or (if he has no registered address in India) to the address if any within India supplied by him to the company.

(2) Where a document has been sent by post

(a) Service thereof shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document, provided that where a member has intimated to the Company in advance that document should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member; and

(b) such service shall be deemed to have been effected :

(i) in the case of a notice of a meeting, at the expiration of forty eight hours after the letter containing the notice is posted; and

(ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

Service on members having no registered address

212. If a member has no registered address in India and not supplied to the Company an address within India for the giving of notices to him, a document advertised in a newspaper circulating in the neighbourhood of the Registered Office of the Company shall be deemed to be duly served upon him on the day on which the advertisement appears.

Service on person acquiring shares on death or insolvency of member

213. A document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of member by sending it through the post in prepaid letter addressed to them by name or by the title of representatives of the deceased or assignee of the insolvent or by any like description at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled or (until such address has been supplied) by serving the document in any manner in which the same might have been served if the death or insolvency had not occurred.

Persons entitled to notice of general meeting

214. Subject to the provisions of the Act and these Articles notice of General Meeting shall be given:

(i) to Members of the company provided by Article 91 in any manner authorised by Articles 211 and 212 as the case may be or as authorised by the Act;

(ii) to the person entitled to a share in consequence of the death or insolvency of a member as provided by Article 213 or as authorised by Act;

(iii) to the Auditors for the time being of the company, in any manner authorised by Article 211 of the Act in case of any member or members of the Company.

Advertisement

215. Subject to the provisions of the Act any document required to be served or sent by the Company on or to the members, or any of them, and not expressly provided for by these presents shall be deemed to be duly served or sent if advertised once in daily English and daily vernacular newspaper circulating in the district in which the Registered Office of the company is situated.

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Member bound by document given to previous holders

216. Every person who by operation of law, transfer, or other means whatsoever, shall become entitled to any share shall be bound by every document in respect of such share which, previously to his name and address being entered on the Register, shall be duly served on or sent to the person from whom he derives his title to such share.

Notice by Company and signature thereto

217. Any notice to be given by the Company shall be signed by the Managing Director or by such Director or officer as the Directors may appoint, such signature may be written or printed or lithographed.

Service of notices by members

218. All notice to be given on the part of the members to the Company and shall be left or sent by post under certificate of posting or by registered post to the Registered Office of the Company.

AUTHENTICATION OF DOCUMENTS

Authentication of documents and proceedings

219. Save as otherwise expressly provided in the Act, or these Articles, a document or proceeding requiring authentication by the Company may be signed by a Director, the Managing Director or an authorised officer of the company and need not be under its Seal.

WINDING UP

Distribution of Assets

220. If the Company shall be wound up, and the assets available for distribution among the members, as such, shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the Capital paid up or which ought to have been paid up, at the commencement of winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital paid up at the commencement of winding up, the excess shall be distributed amongst the members in proportion to the capital paid up on the shares held by them respectively. But this Article is without prejudice to the rights of holders of shares issued upon special terms and conditions

Distribution of assets in species or kind

221. (1) If the company shall be wound up, whether voluntarily or otherwise, the liquidators may, with sanction of special resolution, but subject to the rights attached to any preference share capital, divide amongst the contributors, in specie or kind, a part of the assets of the company and may with the like sanction, vest any part of the assets of the company in Trustee upon such trusts of the benefit of the contributories, or any of them, as the liquidators, with the like sanction shall think fit.
- (2) If thought expedient, any such decision may subject to the provisions of the Act, be otherwise than in accordance with the legal rights of the contributories (except where unalterably with the legal rights of the Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any such division shall be determined any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act
- (3) In case any shares to be divided as aforesaid involved a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing intimate to the liquidators to sell his proportion and pay him the net proceeds and the liquidators shall if practicable act accordingly.

Rights of Shareholder in case of sale

222. A special resolution sanctioning a sale to any other company duly passed pursuant to Section 494 of the Act, may, subject to the provisions of the Act in like manner as aforesaid determine that any shares or other consideration receivable by the liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential right conferred by the said Section.



SECRECY CLAUSE

Secrecy Clause

- 223 (a) Every director, manager, auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant and other person employed in the business of the company, shall if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the company with the customers and the state of the accounts with individuals and in matters related thereto, an 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 Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
- (b) No member shall be entitled to visit or inspect the company's works without the permission of the Directors or the Managing Directors or to require discovery of or any information respecting any detail of the company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process, which may relate to the Directors or the Managing Directors it will be inexpedient in the interest of the members of the company to communicate to the public.

INDEMNITY AND RESPONSIBILITY

Directors and others right to indemnity

224. (a) Subject to the provisions of Section 201 of the Act, every Director of the company, or the Managing Director, Secretary and other Officer or employee of the company and the Trustees (if any) for the time being acting in relation to any of the affairs of the company and every one of them shall be indemnified by the company against, and it shall be the duty of the Director out of the funds of the company to pay all costs, losses and expenses (including traveling expenses) which any such Director, Managing Director, Officer or employee and the trustees (if any) for the time being acting in co-relation to any of the affairs of the company may incur or become liable to by reason of any contract entered into or any act or deed done by him as such Director Officer or Servant or in any way in the discharge of his duties.
- (b) Subject to as aforesaid every Director, Managing Director, Managers, Secretary or other Officer or employee of the company or the Trustees (if any) for the time being acting in relation to any of the affairs of the company and every one of them shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is given to him by the court.

Not responsible for act of others

225. Subject to the provisions of Section 201 of the Act, no Director or Managing Director or other Officer of the company shall be liable for the acts, omissions, neglects of any other Director of Officer or for joining in any omission or other act for conformity, or for any loss or expenses suffered by the company through insufficiency or deficiency of title to any property acquired by order of the Directors for and on behalf of the company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of company shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person, company or corporation, with whom any moneys, securities or effects shall be entrusted or deposited, or for any loss occasioned by any error of judgment or oversight on his part, or any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto. Unless the same happens through his own dishonesty, willful neglect or default.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Prospectus have been delivered to the Registrar of Companies, Coimbatore for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company located at SF No 137 Kancheevaram Nallur, Tirupur, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Prospectus until the date of closure of this Issue.

Material Contracts for Inspection

1. Letter of Engagement dated 23.02.2006 from Systematix Corporate Services Limited offering its services to act as BRLM and Company's acceptance thereto.
2. Memorandum of Understanding dated 24.02.2006 and 5.02.2007 between the Company and the BRLM to this Issue.
3. Memorandum of Understanding dated 10.05.2006 between the Company and Cameo Corporate Services Limited as Registrars to this Issue.
4. Escrow agreement dated 9th February 2007, among the company, the selling shareholder, the BRLMs, the Syndicate Members, the Escrow Collection Banks and the Registrars to this Issue.
5. Syndicate agreement dated 9th February 2007, among the Company, the BRLMs, and the Syndicate Members.
6. Memorandum of Understanding dated 10.05.2006 between the Company and Mr.P.Parthasarathi for Offer for sale.

Material Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Fresh Certificate of Incorporation of the Company dated December 31, 1999 issued due to change of name on conversion to public limited company.
3. Extra-ordinary General meeting resolution dated February 23, 2006 and the resolution of the Board of Directors dated January 13, 2006 authorising this issue and Annual General Meeting resolution dated September 29, 2006 and the resolution of the Board of Directors dated August 31, 2006 increasing the issue size.
4. Copies of the Annual Reports of the company for the years ended March 31, 2001, 2002, 2003, 2004, 2005, 2006 and for the nine months ended 31st December 2006.
5. Consent dated 31.03.2006 from D.G. Shah & Co., Chartered Accountants for inclusion of their names as the Statutory Auditors and of their reports on accounts in the form and context in which they appear in the Red Herring Prospectus.
6. The Tax Benefit Report dated 02.02.2007 from the Statutory Auditors.
7. Approval from Panikkampatti Village Panchayat for the use of agricultural land for industrial purpose vide letter dated 28.04.2006.
8. Consent of Directors, Legal Advisor to the Issue, Registrar to the Issue, Bankers to the Issue, Bankers to the company, the Compliance Officer and the Company Secretary and as referred to in their specific capacities.
9. General Power of Attorney executed by Directors of the company in favour of person(s) for signing and making necessary changes to the Red Herring Prospectus.
10. Resolution of the meeting of the Board of Directors of the Company held on April 19, 2006 for the reconstitution of audit committee and constitution of Remuneration Committee and Shareholders'/Investors Grievance Committee.
11. Due Diligence Certificate dated 18.05.2006 addressed to SEBI from Systematix Corporate Services Limited.
12. In-principle listing approvals dated September 28, 2006 and September 26, 2006 issued by NSE and BSE.
13. Initial listing application for listing the Equity Shares at NSE and BSE.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time if so required in the interest of the company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. P.Parthasarathi
Managing Director

Mrs. P. Maheswari
Director

Mr. R. Gopalswamy
Director

Mr. S. Murugan
Director

Mr. Udhayakumar
Director

Mr. P. R. Arunachalam
Director

Mr. A. Srinivasan
Director

R. Ravichandran
Director

Place: Tirupur

Date: 02.02.2007

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